If the number on the top $\%\Delta Q^d$ is smaller than the number in the bottom $\%\Delta P$

When the consumer's reaction is small (12%<25%)

$$e_p^d = \frac{\%\Delta Q^d = 12\%}{\%\Delta P = 25\%}$$

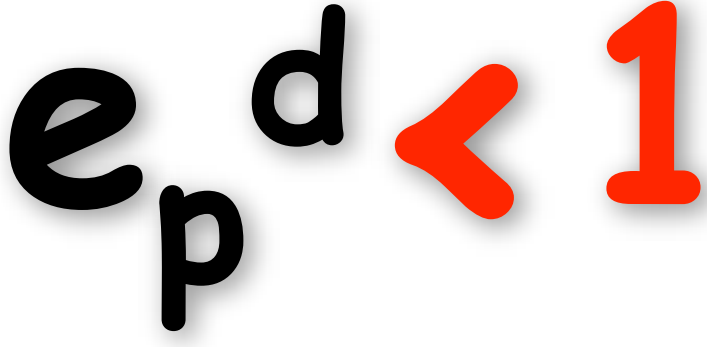
An Example:


Price
increased by
25% !


Consumer
purchased 12%
less

The elasticity is

less than one


e
p
d
< 1

$$e_p^d = 0.48$$

An Example:

If the number on the top $\%\Delta Q^d$ is smaller than the number in the bottom $\%\Delta P$

$$e_p^d = \frac{\%\Delta Q^d = 12\%}{\%\Delta P = 25\%}$$

Consumer purchased 12% less

Price increased by 25% !

$e_p^d = 0.48$ $e_p^d < 1$

The elasticity is less than one

When the consumer's reaction is small (12% < 25%)

$$e_p^d = \frac{\%\Delta Q^d}{\%\Delta P}$$