













If price elasticity of demand = -0.5

What is the **change in price** necessary to  
induce a **10% reduction in  $Q^d$** ?





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

$$-0.5 = \frac{-10}{\% \Delta P}$$

$$\% \Delta P = \frac{-10}{-0.5}$$

**$\% \Delta P = +20\%$**





























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If price elasticity of demand = -0.5

What is the **change in price** necessary to induce a **10% reduction in  $Q^d$** ?

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

$$-0.5 = \frac{-10}{\% \Delta P?}$$

$$\% \Delta P = \frac{-10}{-0.5}$$

$$\% \Delta P = +20\%$$

In order to cause a **10% drop** in  $Q^d$  price must **increase by 20%**

