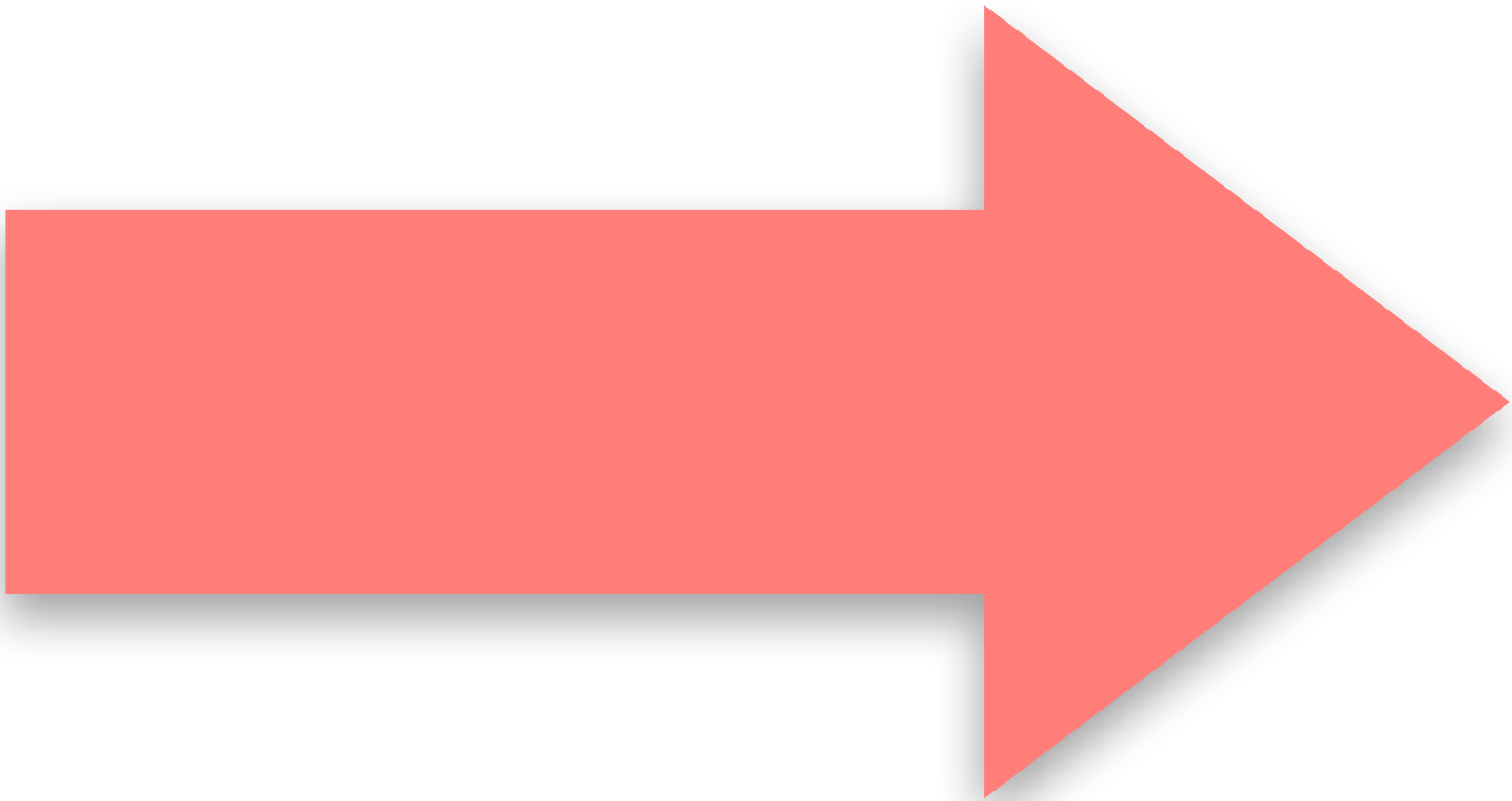
$$e_p{}^d = \frac{\text{\% change in quantity demanded}}{\text{\% change in Price}}$$

If the number on the top (%change in quantity demanded) is **larger** than the number in the bottom (%change in Price)

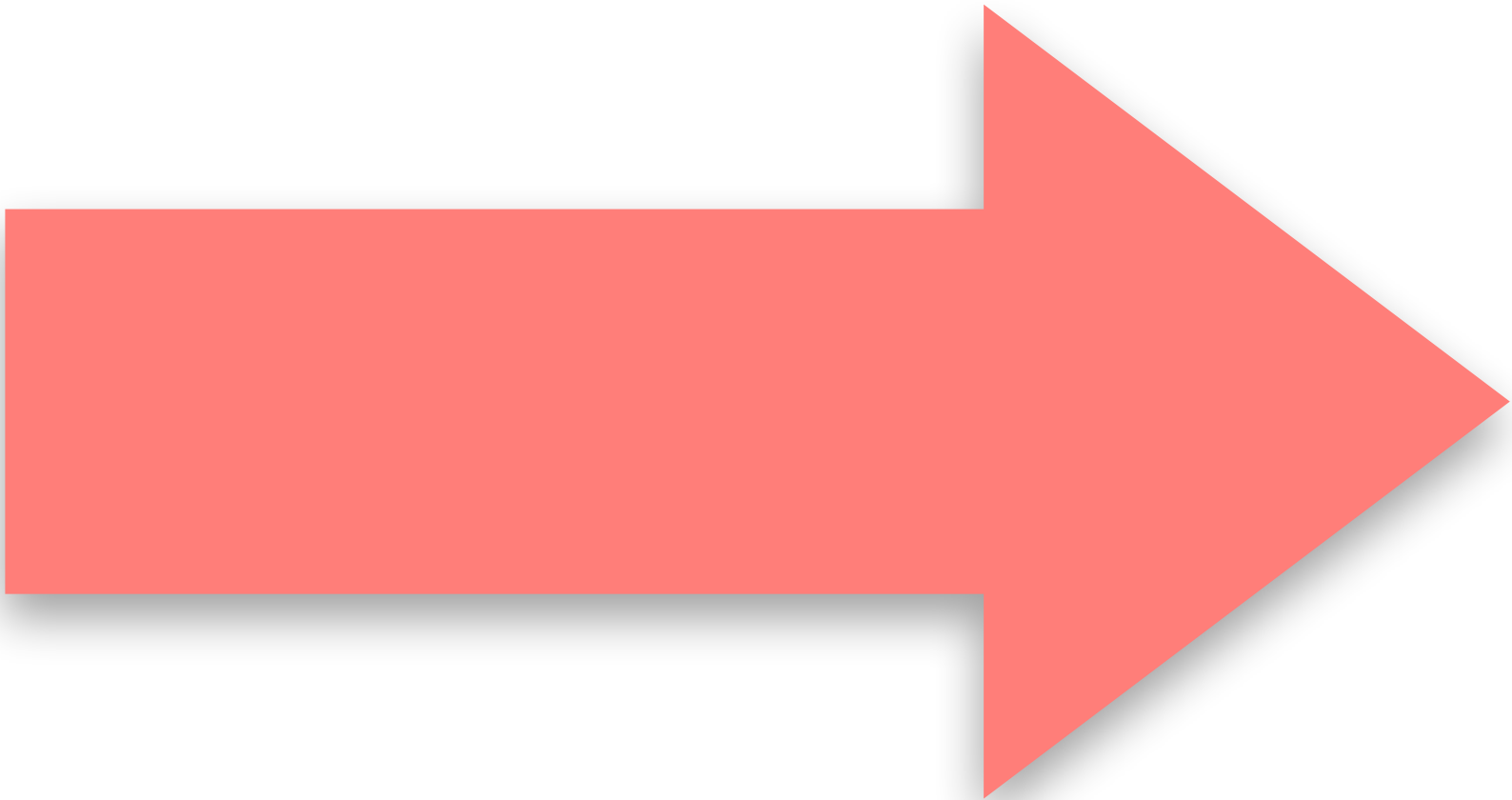
If the %change in quantity demanded is **smaller** than the %change in Price

If the $\%\Delta Q^d$ is **equal** to the $\%\Delta P$

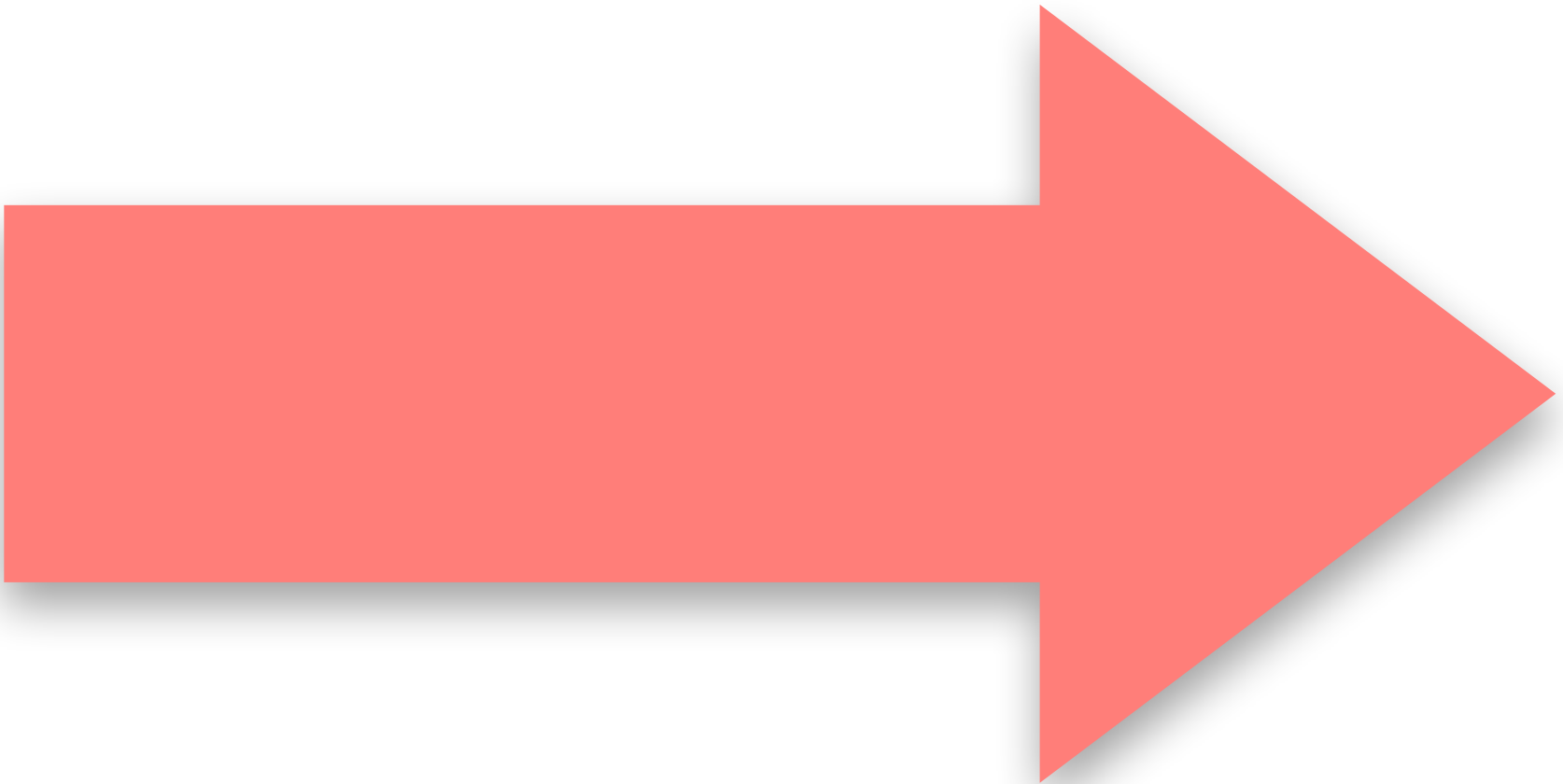
The elasticity will be a number **larger** than one



The elasticity will be a number **smaller** than one



The elasticity will be **equal** to one



$$e_p{}^d = \frac{\%\Delta Q^d = 60\%}{\%\Delta P = 10\%}$$

$$e_p^{\,d} = -6$$

Ignoring the sign:

Demand is Elastic

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

$$e_p^{\,d} = -0.48$$

Demand is Inelastic

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

$$e_p{}^d \equiv -1$$

Demand is Unit Elastic

The reaction of the consumer (the change in quantity purchased) is larger than the change in the price: consumer "over reacts"

The reaction of the consumer (the change in quantity purchased) is smaller than the change in the price: consumer "under reacts"

The reaction of the consumer (the change in quantity purchased) is equal to the change in the price

$$e_p^d = \frac{\%\ \text{change in quantity demanded}}{\%\ \text{change in Price}}$$

Ignoring the sign:

$$e_p^d = \frac{\%\Delta Q^d = 60\%}{\%\Delta P = 10\%}$$

$e_p^d = -6$

Demand is Elastic

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

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Demand is Inelastic

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The reaction of the consumer (the change in quantity purchased) is equal to the change in the price

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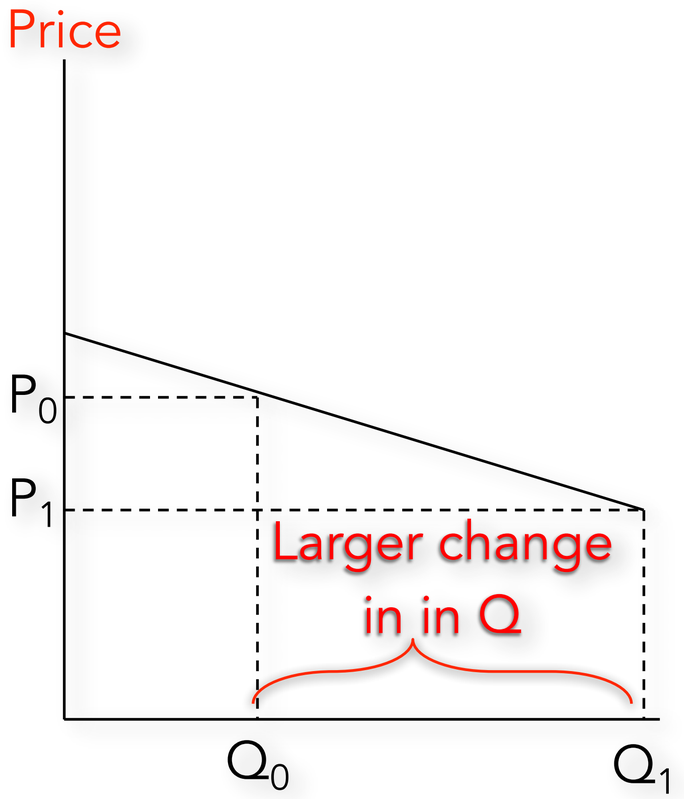
Demand is Unit Elastic


Price
P_0
P_1
Larger change
in in Q
Q_0
Q_1