

The price elasticity of demand = -0.5

Calculate the necessary change in price
to cause a 10% reduction in Q^d



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

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



n





o

e









a

u

S

e

a



0



d

r



p



n

Q

d

p





C

e

m

u

S





n







a

S



b

Y

2





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

A large, light red arrow pointing to the right, with a black outline. The word "Rearrange" is written in a large, black, sans-serif font across the center of the arrow.

Rearrange

$$e_{pd} = \frac{\% \Delta Q_d}{\% \Delta P}$$

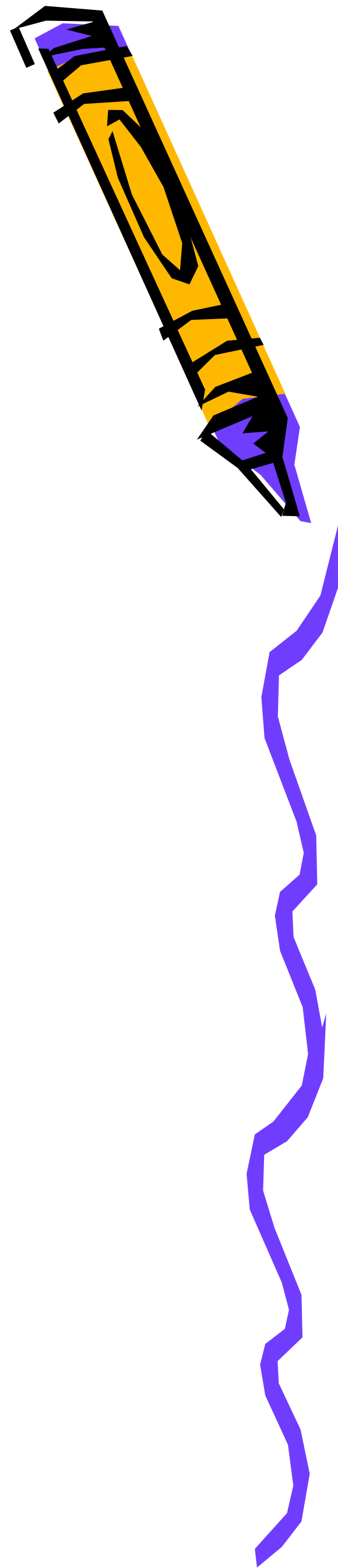
$$e_p^d = \frac{\% \Delta Q^d}{\% \Delta P} \quad \text{Rearrange} \quad \% \Delta P = \frac{\% \Delta Q^d}{e_p^d}$$

The price elasticity of demand = -0.5
Calculate the necessary **change in price**
to cause a **10% reduction in Q^d**

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

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

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



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

