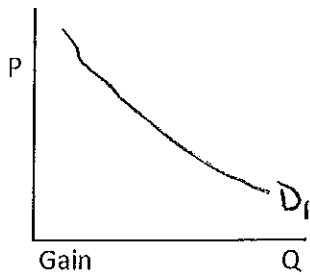
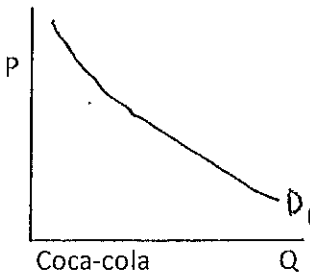


NAME: _____ CLASS: _____



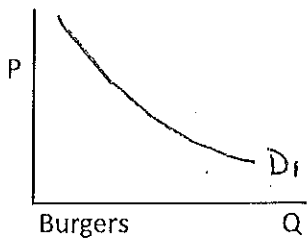
The price of Gain detergent drops by 1.00
Will this cause ΔD or ΔQD

Reason _____



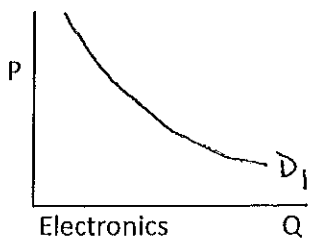
The price of Pepsi decreases by half.
Will this cause ΔD or ΔQD

Reason _____



The price of all hamburgers increases by .50
Will this cause ΔD or ΔQD

Reason _____



A Christmas sell is announced for the day after thanksgiving
on all electronics at a local store, during the period
before thanksgiving
will this cause ΔD or ΔQD

Reason _____

Circle the correct response

When the price of goods decreases, the quantity demanded will (increase or decrease)

The demand shifts to the (left or right) when there is a increase in demand.

Elasticity of Demand

Elasticity of demand describes how consumers react to a change in price

GOODS ARE

ELASTIC - very sensitive to price change

INELASTIC - not sensitive to price change

FACTORS AFFECTING ELASTICITY

Availability of substitutions

Relative Importance

Necessities versus Luxuries

Change over time

Elasticity of Demand (E of D)

E of D measures how much demand changes in response to a price change.

In math terms: $E\ of\ D = \frac{\% \text{ of Change in Demand}}{\% \text{ of Change in Price}}$

* Recall how to calculate % change in a number:

$$\frac{\text{New} - \text{Old}}{\text{Old}} \times 100 = \% \text{ change}$$

If the answer is greater than 1, the product is Elastic in demand

If the answer is less than 1, the product is Inelastic in demand.

If the answer is equal to 1, the product is Unitary in demand.

