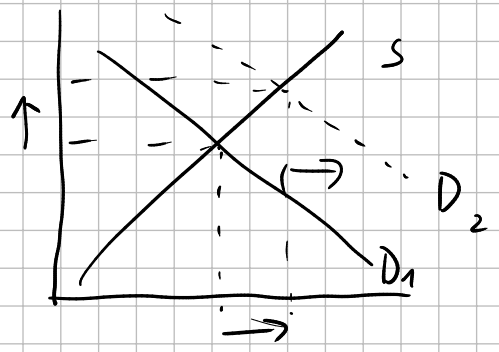
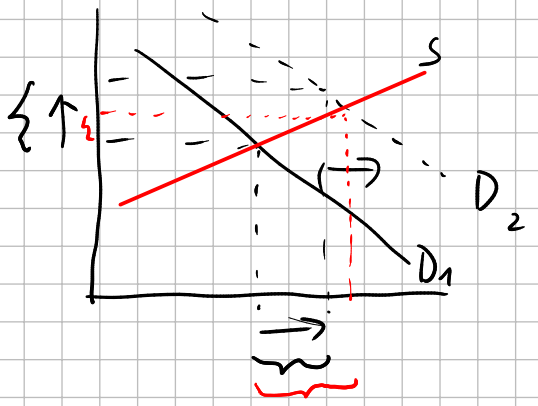


qualitative prediction

describing

* don't know how much things change



Recall: slope = rise / run = vertical distance / horizontal distance

actual change in price / actual change in qty (demanded/supplied)

Slope of demand / supply

price elasticity = % change in quantity demanded / supplied / % change in price

start 10 kg end 15 kg

change = 15 − 10 = 5 kg (absolute)

→ % change = (15 − 10) / 10 = 0.5 (relative) has no units

↳ 5 kg / 10 kg = 5 / 10 =

15/10 > 1

price elasticity of demand = | | } one of them has to be negative

absolute value → positive number

|(3)| = 3 |−(3)| = 3

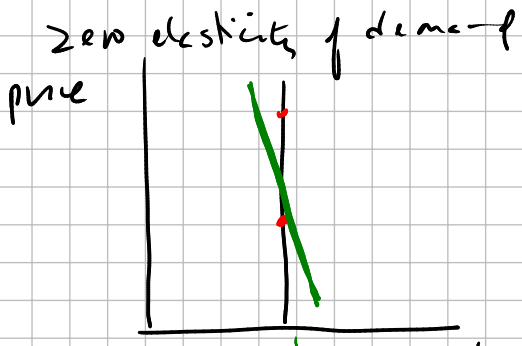
| % change in qty demanded / % change in price | = 1.47 (0.01)

% change in qty demanded = 1.47 (0.01) × % change in price (50% increase, 0.005 = 0.5%)

= 0.735 = 73.5% decrease

$$\frac{\%\text{ change in qty}}{\%\text{ change in price}} = 0$$

zero elasticity of demand

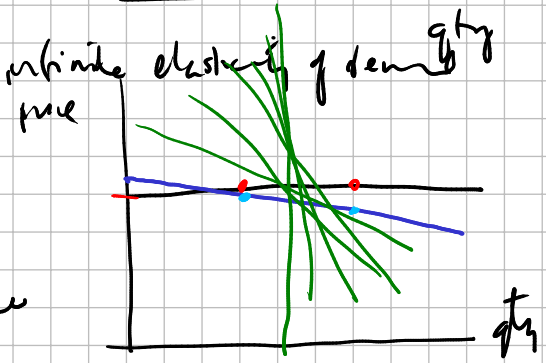


compared to

$$\frac{\%\text{ change in qty}}{\%\text{ change in price}} = \text{very large number in absolute value}$$

very small

infinite elasticity of demand



data

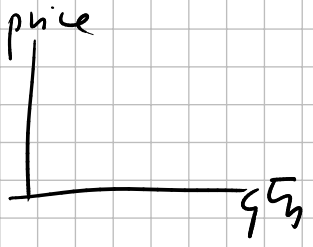
Item 34

demand curve $P = \frac{2}{Q}$

Q	P
$\frac{2}{5}$	5
$\frac{1}{2}$	4

$5 = \frac{2}{Q}$

$4 = \frac{2}{Q}$



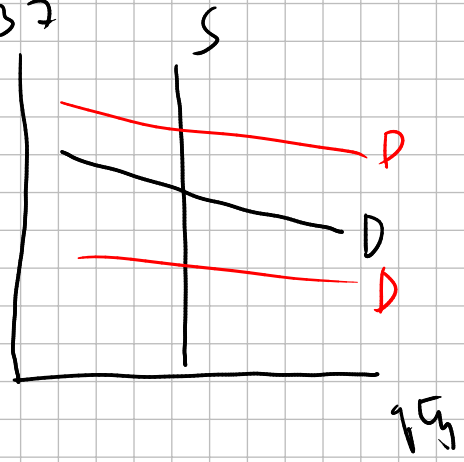
$\frac{2}{Q} = 5 \Rightarrow 5 \cdot Q = 2 \Rightarrow Q = \frac{2}{5}$

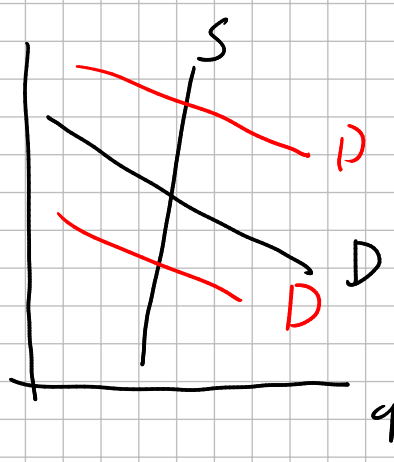
$4Q = 2 \Rightarrow Q = \frac{1}{2}$

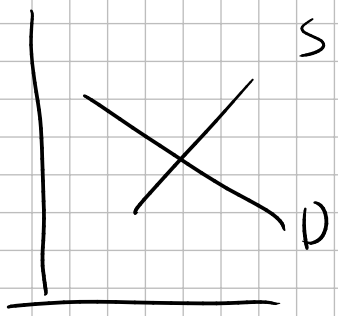
price elasticity of demand = . . .

Item 37

price







Item 40