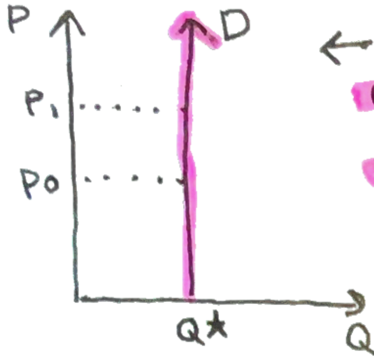
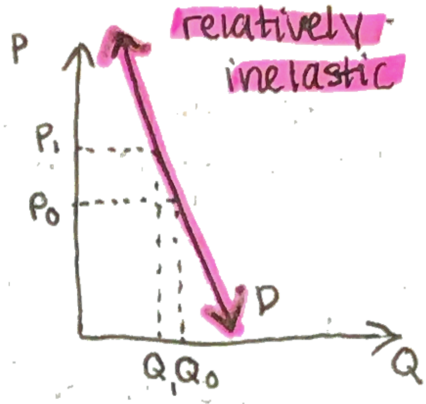
degrees of elasticity

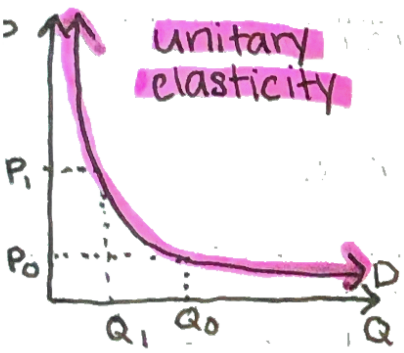


← **Perfectly inelastic:** an increase in price results in no change in consumer purchases

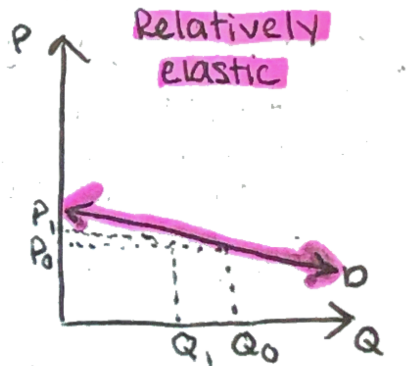
- A mythical idea due to every good having substitutes

- **relatively inelastic:** a percent increase in price results in a smaller percent decrease in sales

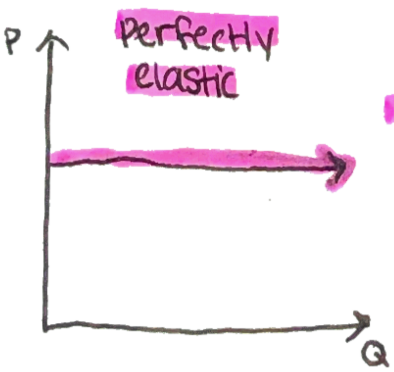




unitary elasticity: the percent change in quantity demanded is equal to the percent change in price



Relatively elastic: A percent increase in price leads to a larger percent decrease in quantity demanded



Perfectly elastic: people will only buy at one price

Elasticity of Demand Equation

$$\boxed{E_P = \frac{Q_2 - Q_1}{Q_2 + Q_1} \cdot \frac{P_2 + P_1}{P_2 - P_1}}$$

$$\underbrace{\begin{array}{ccc} E_D > 1 & E_D < 1 & E_D = 1 \\ \text{elastic} & \text{inelastic} & \text{unitelastic} \end{array}}_{\text{always negative}}$$