

## Determining Elasticity

How to know if something is elastic...

### Steps:

- 1) Find % in quantity demanded (QD) change.
- 2) Find % of change in price (P).
- 3) Divide % change in QD by % change in P.



In other words...

### Steps:

- 1)  $\frac{\text{Original Quantity} - \text{New Quantity}}{\text{Original Quantity}} \times 100 = \% \text{ change (QD)}$
- 2)  $\frac{\text{Original Price} - \text{New Price}}{\text{Original Price}} \times 100 = \% \text{ change}$
- 3)  $\frac{\% \text{ Change in QD}}{\% \text{ Change in Price}} = \text{Elasticity Number}$

### \*\*\*Rules\*\*\*

If the answer is greater than or equal to 1 it is elastic.

If the answer is less than 1 it is inelastic.

There are only absolute values when finding elasticity of demand.

### Example of Factoring Elasticity of Demand

8\*\*Price goes from \$200 to \$100\*\*

$$\frac{3 - 4}{3} \times 100 = \frac{-1}{3} \times 100 = 33\% \text{ (Step 1)}$$

$$\frac{200 - 100}{200} \times 100 = \frac{100}{200} \times 100 = 50\% \text{ (Step 2)}$$

$$\frac{33}{50} = .66 \text{ (Step 3) Less than 1: I am inelastic!}$$

Price	Quantity
\$50.00	5
\$100.00	4
\$200.00	3
\$350.00	2
\$550.00	1