


## ELASTICITY OF DEMAND





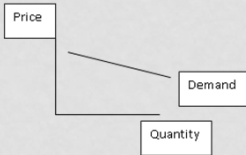
## DEMAND ELASTICITY

Measures how drastically buyers will cutback (or increase) their demand for a good when the price rises (or falls).

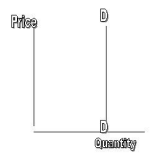


- **elastic demand**—when a small change in a product's price results in a **significant change in the quantity demanded** (i.e. price of pizza)
- **inelastic demand**—when a change in a product's price has only a slight effect on the quantity demanded (i.e. salt & soap)

**Relatively elastic demand**



**Perfectly Inelastic Demand**



**Perfectly Elastic Demand**

