

Price Elasticity of Demand

Formula

$$\frac{\% \text{ of change in Quantity}}{\% \text{ of change in Price}}$$

I sold 100 @ \$4 each. When I upped the price to \$5, I only sold 85. Is this elastic demand or inelastic demand. Do the numbers:

$$\frac{100 - 85}{\$5 - \$4} = \frac{15}{\$1} = \frac{15\%}{25\%} = .6$$

If the number is less than 1, it is inelastic.

If the number is more than 1, it is elastic.