

Inelastic Demand

Topic Overview

Often, it is necessary to assess the level of elasticity of demand. Elasticity is the measurement of how changing one variable, like price, affects others, like quantity demanded. In order to calculate it, you can use the price elasticity of demand, or PED. It is the % change of quantity divided by the % change in price.

Because elasticity is almost always negative, values are expressed as positive numbers. If the PED is found to be greater than 1, demand is elastic. If the PED is founded to be between 0 and 1, demand is inelastic. If demand is equal to 1, it is unit-elastic.

Elasticity is a very important concept in economics because different goods and services in the market have different levels of elasticity. When demand for a good/service is inelastic, if the price increases, very few people would stop purchasing it, or at least the effect is not as great as for more elastic goods/services.

Because price elasticity of demand is the % change in quantity over % change in price, depending on the location of the demand curve, elasticity changes. When comparing two demand curves on the same graph, the steeper curve overall has a less elastic demand. In the case of perfectly inelastic demand, the demand curve will be vertical.

CREATIVE AUDIO

This straight faced **demon in elastic** pants has grown tired of his guests wild antics. Hes less than amused by this atomic wedgie, as such a **steep** stretch will certainly ruin his favorite pants. The **queen** and **prince** have both changed since he saw them last. The **change** in the **queen** is **less** apparent, being only a newfound sense of humor at the demons expense. But the **prince** has **changed** quite literally in a **larger** way, growing fat over the years. Unfortunately, the **Princes** larger stature allows him to easily hold the skinny **queen over** himself, a position most advantageous for atomic wedgies.

Classic Audio

Price elasticity of demand, or PED, is a measure in economics that measures the elasticity of demand, the demon, or otherwise demand's responsiveness to changes in price.

It is calculated by taking the % change in quantity, the queen, over the % change in price, the big prince. Demand is inelastic when the PED is less than 1 in absolute value. This means that the % change of quantity is smaller than the % change in price. That's why the queen is so much smaller than the prince. When comparing two demand curves on the same graph, the steeper curve overall has a more inelastic demand. In fact, in the case of perfectly inelastic demand, the demand curve will be vertical, just like poor demon being hung by his stiff pants.



PLAY PICMONIC

Change in quantity over change in price

[Queen on top of the prince](#)

This coefficient measures the price elasticity of demand to determine if demand is elastic or inelastic

Quantity

[Queen](#)

The amount of a given good or service.

Price

[Prince](#)

How much a given good or service costs.

Change in quantity change in price

[Skinny queen on the shoulders of the fat prince](#)

When the demand curve is inelastic related to price, a one unit change in price has a lesser than one unit impact on quantity.

Steep demand curve

[Elastic pants is stretched upwards](#)

Inelastic demand curves are steeper than elastic demand curves