

9.46- DEMAND & ELASTICITY

INTRO

9.46- Explain the law of demand and demonstrate a basic knowledge of elasticity.

KICKOFF:



- ❖ Pick up a handout on your way in
- ❖ Sit in your seat by the time the bell rings
- ❖ We will watch a video on the promethean for the KO
- ❖ Don't need to unpack anything, we'll be moving shortly
- ❖ **Roll Call:** Favorite type of cheese



ANNOUNCEMENTS:

- ❖ Test average = 83
- ❖ FRQ average = 78
- ❖ **10/16**- PSAT
 - No class
- ❖ Panthers won!



GROUPS:

- 1) Abisha, Parker, Michael, Ben
- 2) Samhita, Brianna, Gavin, Ethan
- 3) Jun, Sohum, Sophia, Lilianna
- 4) Anna Grace, Rhea, David, Aneliесе
- 5) Deeksha, Sahith, Lanise, Shagnik
- 6) Aayush, Aaron, Claire, Raghav
- 7) Anshul, Claudio, Murphy, Gerald
- 8) Olivia, John, Diya, Axel

TEST ANALYSIS:

- ❖ I have picked 7 highly missed and essential questions from your test
- ❖ Go through each questions, write down your answer and your rationale for that answer
 - For FRQ questions just graph them in the rational section
 - INDIVIDUALLY
- ❖ Now, talk with your group about each question. Try and come to a consensus for each question, write your new answer, and your new rational/draw your new graphs.

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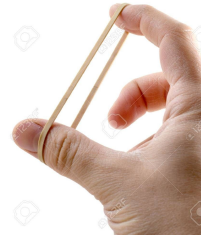
SECTION 9- BEHIND THE DEMAND CURVE

❖ Reasons for Law of Demand

- Substitution Effect- price of good increases, its price also goes up relative to of other goods
- Income Effect- more money increases willingness and ability
 - Also true that as prices drop, your income purchases more (purchasing power)
- Diminishing Marginal Utility- as more units are consumed, satisfaction from each good decreases

ELASTICITY

- ❖ Sensitivity of producers and consumers to a change in price
- ❖ Price elasticity of demand– how consumers respond to change in price
 - Measurement of change in Q_d with respect to price



HOW TO DESCRIBE SENSITIVITY- ELASTIC V. INELASTIC

- ❖ Inelastic- change in quantity demand is small compared to change in price
 - Price isn't really factor
 - **In**elastic = **in**sensitive
- ❖ Elastic- price change leads to large change in quantity demand
 - Price makes a big difference to consumers

PRICE ELASTICITY OF DEMAND FORMULA

$$\text{Price Elasticity of Demand (PED)} = \frac{\% \Delta \text{ in } Q_d}{\% \Delta \text{ in } P}$$

❖ ABSOLUTE VALUE

$$\% \text{ change in quantity demanded} = \frac{\text{Change in quantity demanded}}{\text{Initial quantity demanded}} \times 100$$

$$\% \text{ change in price} = \frac{\text{Change in price}}{\text{Initial price}} \times 100$$

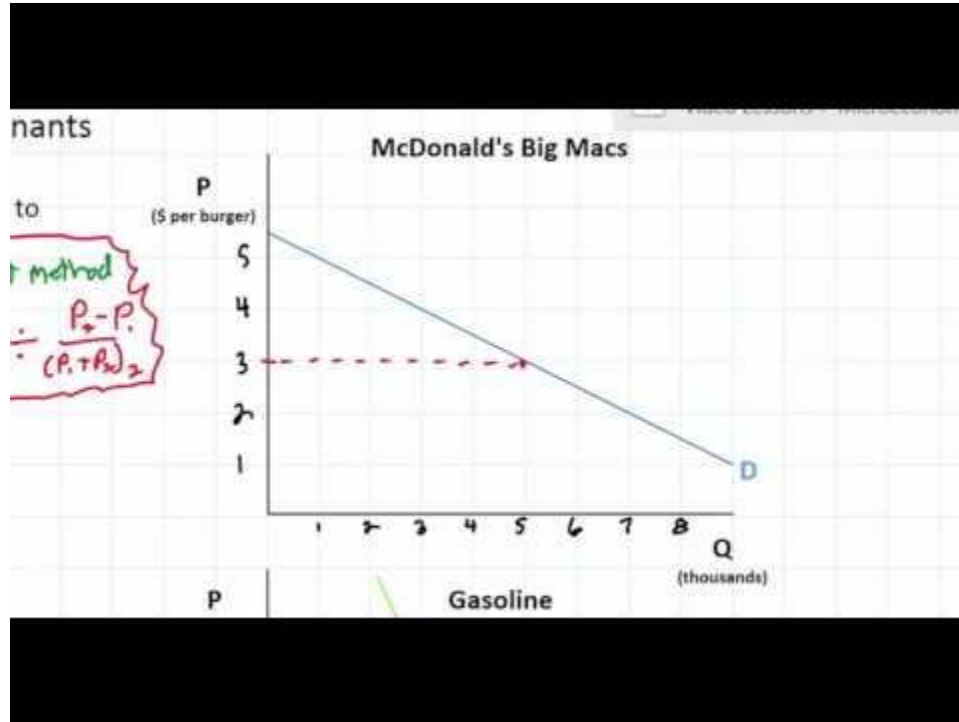
❖ New - Old (New minus Old Over Old)

EXAMPLES:

- ❖ Suppose the price of apples decreased by 10% and quantity demanded increased by 20%. What's the elasticity?
 - $E_d = (20\%) / (10\%)$
 - $E_d = 2$



A LITTLE TOUGHER PRACTICE:



PARTNER PRACTICE

- ❖ Working with the person next to you
 - Or all 3 if in a group of 3
- ❖ First 4: Find the % change in Q_d , % change in price, and PED
- ❖ Last four: Find the PED and provide data points that would make the % change in Q_d and P the same
- ❖ List goods you believe have elastic demand and goods with inelastic demand

CLOSURE

- ❖ Go to Google Classroom and complete the assignment “10/14- Closure”
 - Explain why it is important for producers to understand the Elasticity of Demand of the goods/services they produce.

GROUPS:

- 1) Parker, Ayah, Zhou
- 2) Srishti, Cody, Charmaine
- 3) Ram, Laasya, Brooke, Aryan
- 4) Rushil, Aidan, Ryan, Jake
- 5) Omar, Michelle, Vitalina, Luke F.
- 6) Cade, Allyson, Dhyay, Jeremy
- 7) Varun, Chase, Homer, Abby
- 8) Vipul, Sophie, Daniel, Nick