

Figure 7.5 Elasticity of Demand

■ **Curve A** at the price of \$5.50 could represent the inelastic demand for pepper. Even if the price of pepper dropped dramatically, you would not purchase much more of it.

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■ **Curve B** at \$5.50 could represent the elastic demand for steaks. If the price drops just a little, many people will buy much more steak.

Economic Analysis

Explaining What determines whether goods have elastic or inelastic demand?

