

Broadly defined markets



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Food





Carrots

If food prices increase,
the drop in quantity
consumed is **small**: we
have to eat!



If carrot prices
increase, the drop in
quantity consumed is
large: we DO NOT
have to eat carrots

Demand for Food is Inelastic

Demand for carrots is elastic

Have fewer substitutes and more
inelastic demands

Specifically defined markets

Have more substitutes and
more elastic demands

Broadly defined markets

Have **fewer** substitutes and more
inelastic demands

Demand for Food is Inelastic



Specifically defined markets

Have **more** substitutes and
more **elastic** demands

Demand for carrots is elastic



Which good has a more **elastic** demand?

