

Broadly defined markets

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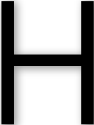
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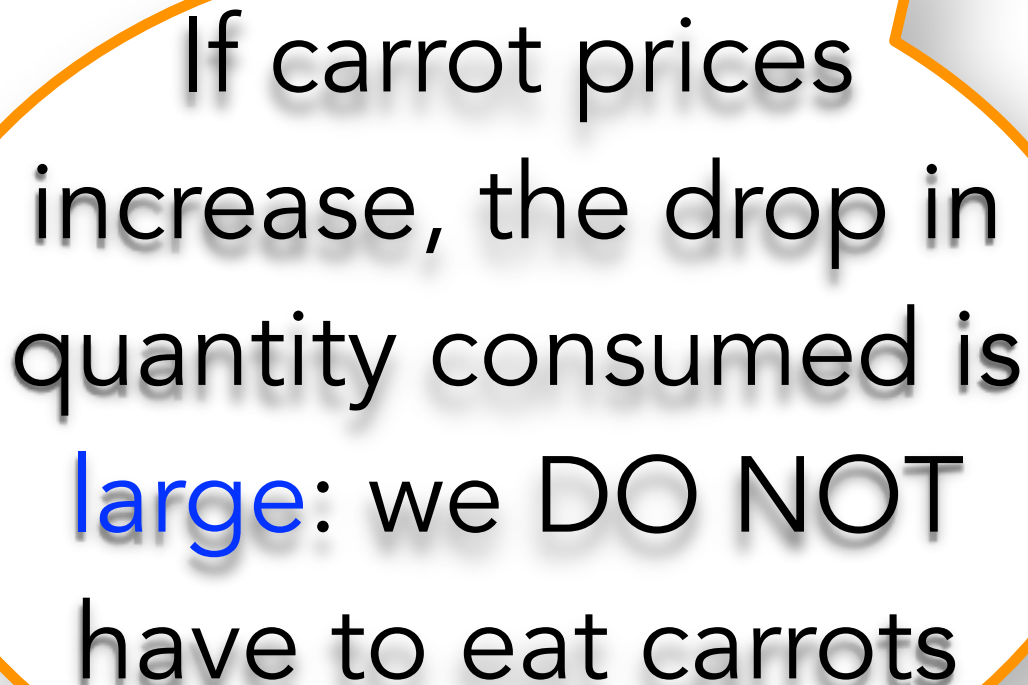
Food







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

Food



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

Specifically defined markets

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

demands
Demand for carrots is elastic



Carrots

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

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

