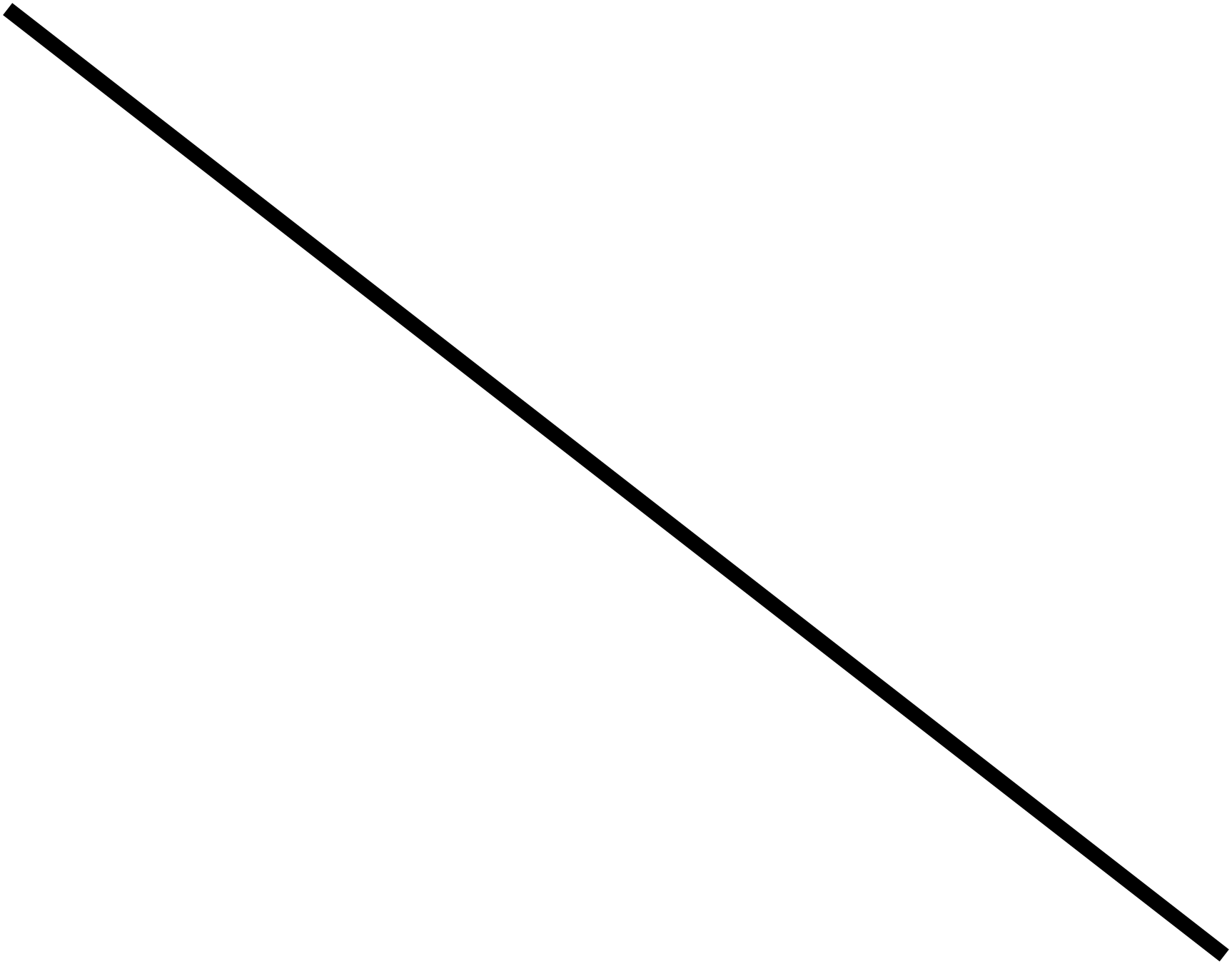


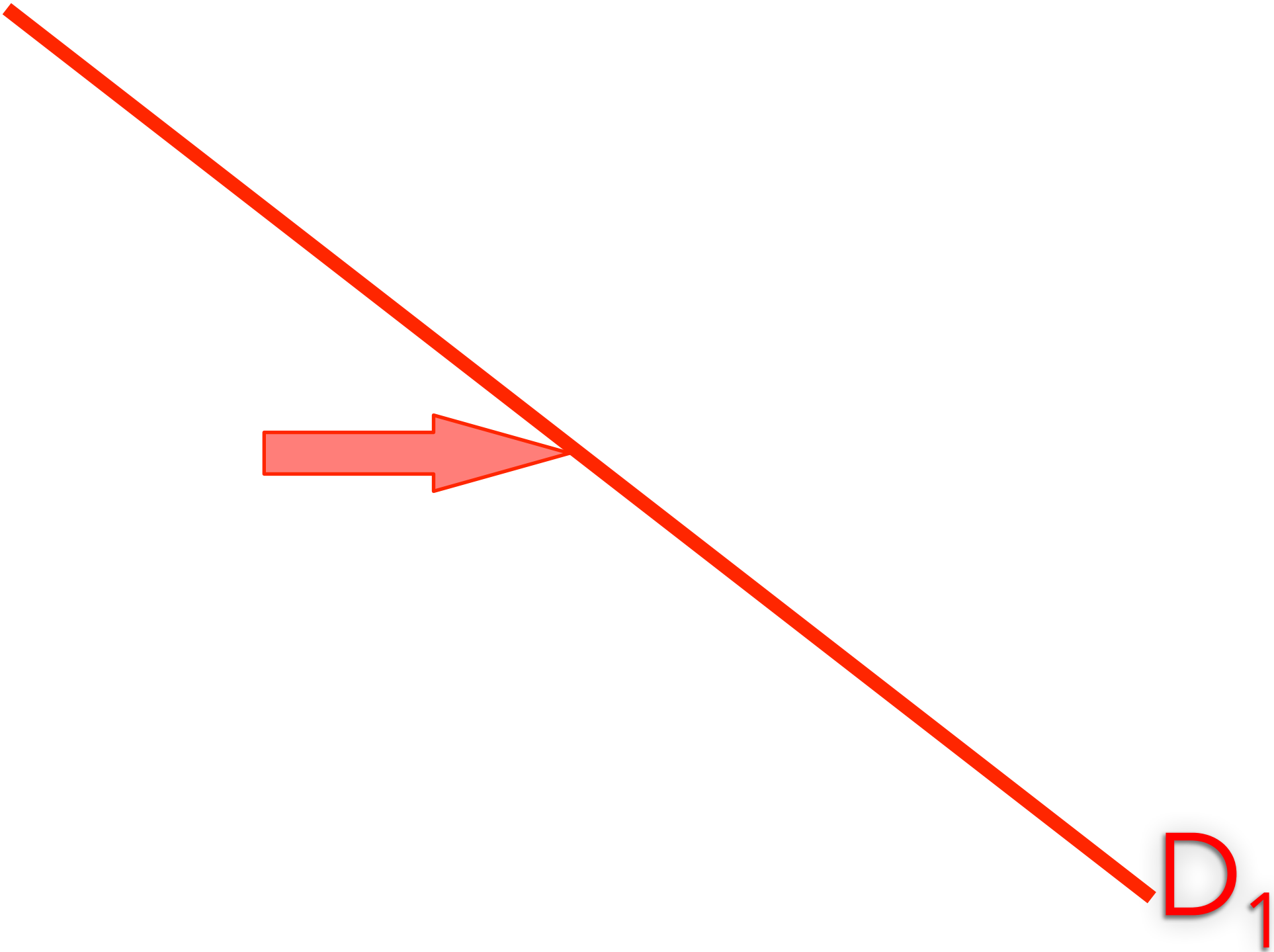
P

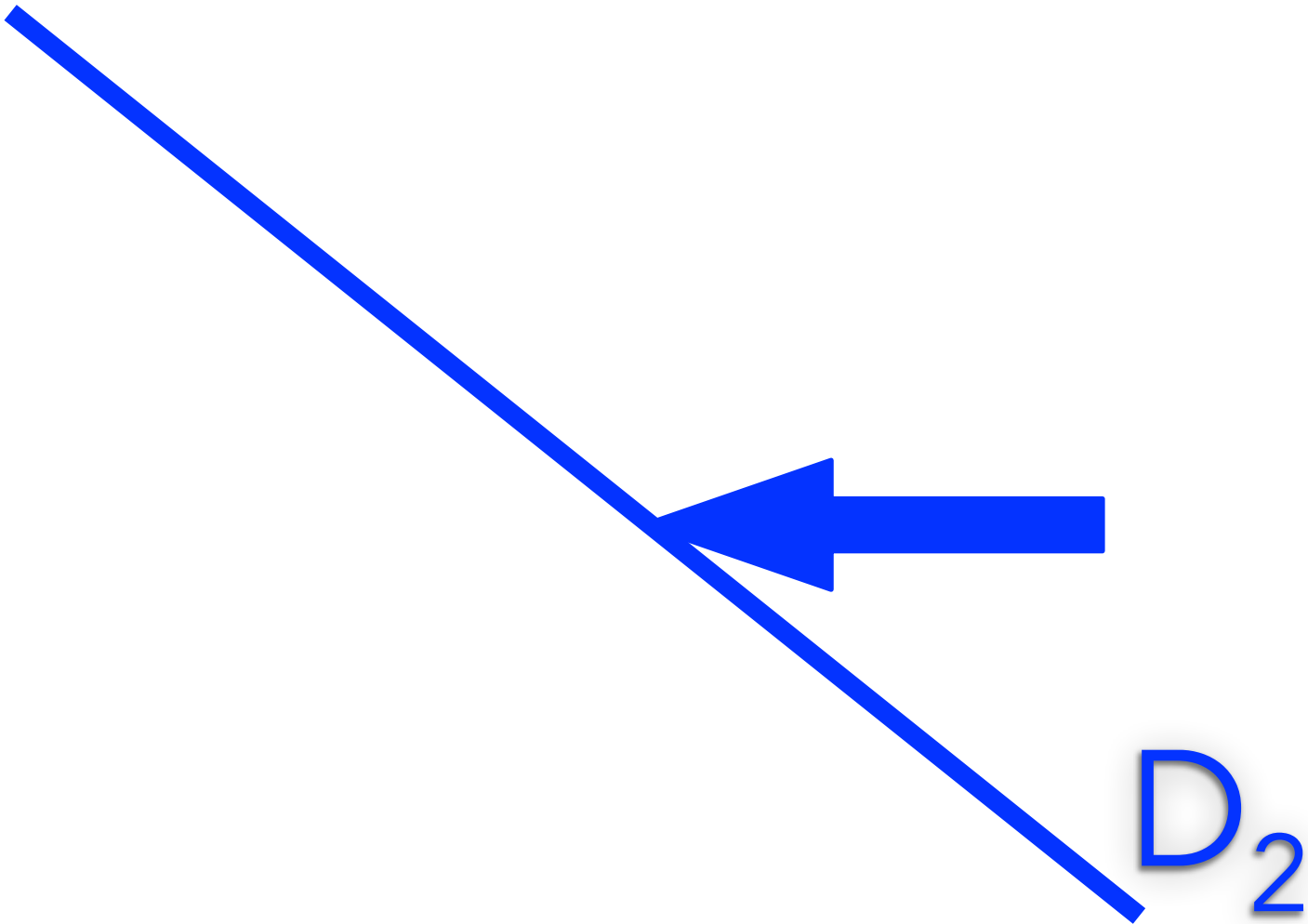
x



When a substitute of
good x becomes
more expensive,







D₀



demand for

good x increase

The cross price elasticity
for substitute goods is
always positive



When a complement
of good x becomes
more expensive,

demand for

good x decrease

The cross price elasticity
for complement goods is
always negative

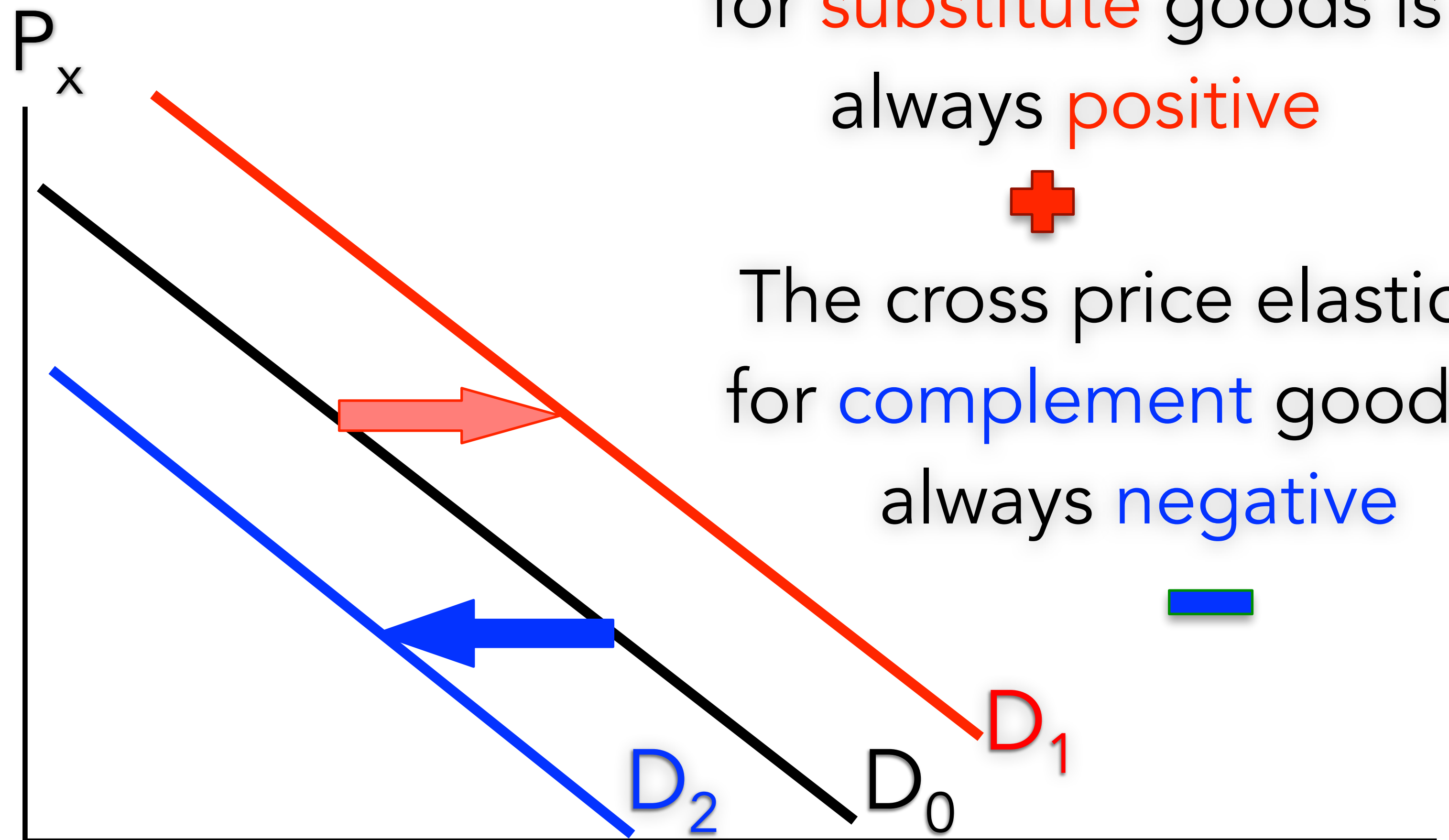


The **sign** of the Cross Price Elasticity tells us **how** are goods **related**..

The **sign** of the Cross Price Elasticity tells us **how** are goods **related**...

When a **substitute** of good x becomes more expensive, demand for good x **increase** ↑

When a **complement** of good x becomes more expensive, demand for good x **decrease** ↓



The cross price elasticity for **substitute** goods is always **positive**



The cross price elasticity for **complement** goods is always **negative**



The **size** of the Cross Price Elasticity tells us **how closely** are goods related....