# Suppose the Basket has only two goods:



Price<sub>gas</sub>= Price<sub>apples</sub>= \$2

apples



## 1 gallon of gas cost 1 bag of apples

#### Relative Prices:

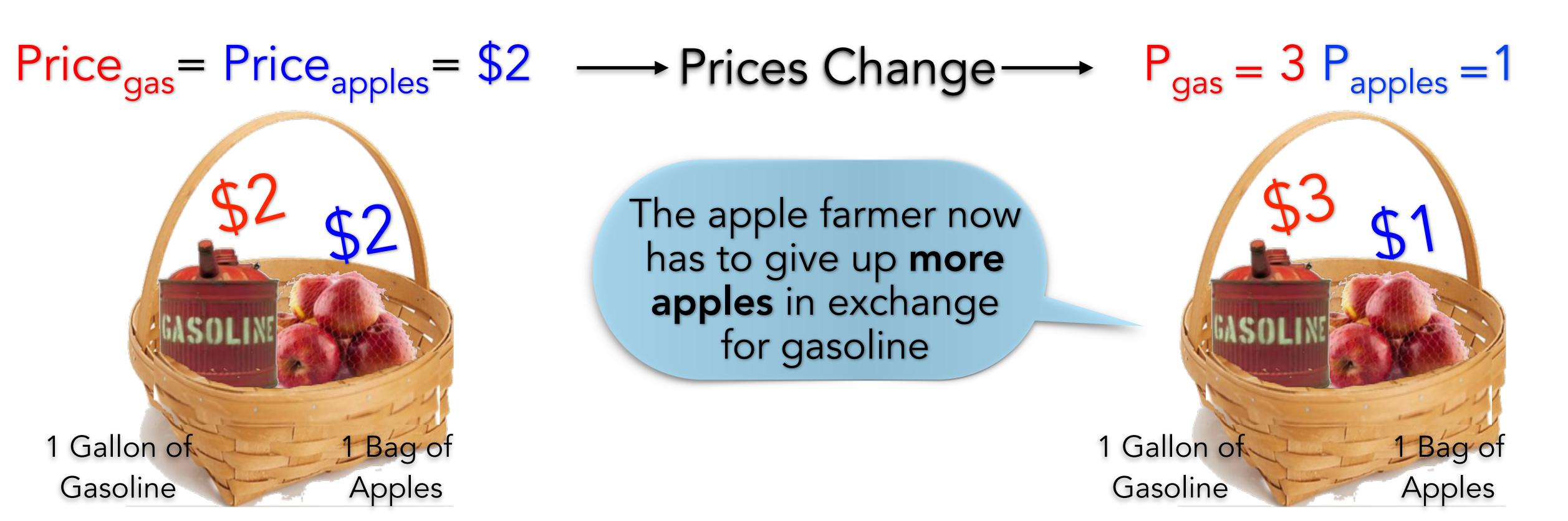
## 1 gallon of gas cost 3 bags of apples

# Relative Prices also change:

The apple farmer now has to give up **more apples** in exchange for gasoline



#### Suppose the Basket has only two goods:



- 1 gallon of gas cost 1 bag of apples

  Relative Prices also change:
- 1 gallon of gas cost 3 bags of apples

#### Price<sub>gas</sub>= Price<sub>apples</sub>= \$2

