

If goods X and Y are substitutes in production, then an increase in the price of good X ?  
And reason for the answer

### **Solution**

A substitute good, in contrast to a complementary good, is a good with a positive cross elasticity of demand. This means a good's demand is increased when the price of another good is increased. Conversely, the demand for a good is decreased when the price of another good is decreased. If goods X and Y are substitutes, an increase in the price of X will result in a leftward movement along the demand curve of X and cause the demand curve for Y to shift out. A decrease in the price of X will result in a rightward movement along the demand curve of X and cause the demand curve for Y to shift in.