

Answer on Question #77077 – Economics – Economics of Enterprise

Question:

with the aid of a fully labelled diagram, explain what would happen in the market for sugars if the price of Rooibos tea increase ceteris paribus

Answer:

Sugar and Rooibos tea are complementary goods. So cross elasticity of demand is less than 0. The price of Rooibos tea increases and the demand of its complement (sugar) falls.



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