

### Answer on Question # 89228, Economics / Microeconomics

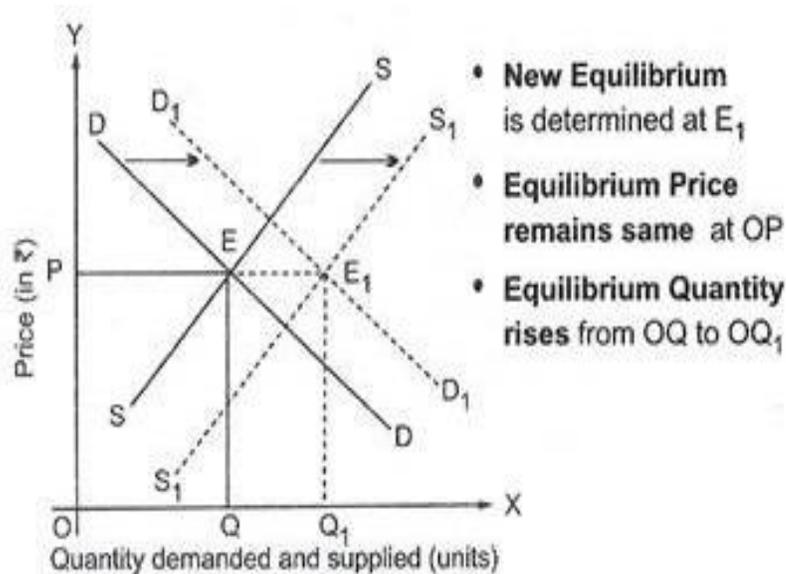
**QUESTION:** How will a simultaneously increase in the price of substitute good and an improvement in production technology affect the market demand and/or supply, equilibrium quantity in a competitive market.

**ANSWER:**

**Effect of increase in the price of substitute good on demand curve:** Increase in the price of a substitute good causes a rise in quantity demanded. Hence, *the Demand curve will shift to the right as a result of increase in price of substitute good.*

**Effect of improvement in production technology on supply curve:** The use of advancement in production technology increases productivity, hence the production of goods and services becomes more profitable. *Therefore, improvement in the current state of technology causes supply to increase and supply curve to shift to the right.*

**Effect on equilibrium quantity in a competitive market:** As a result of rightward shifts in demand and supply curves, the new market equilibrium will be determined at  $E_1$  as shown in figure below. *At this point the equilibrium price will remain same but the quantity demanded and supplied will equate at a greater equilibrium quantity than that at earlier equilibrium.*



Answer provided by <https://www.AssignmentExpert.com>