

Substitutes As you learned in Section 1, substitutes are goods used in place of one another. The availability and price of substitutes also affect demand. For example, people often think of butter and margarine as substitutes. Suppose that the price of butter remains the same and the price of margarine falls. People will then buy more margarine and less butter at all prices of butter. This shift in the demand curve for butter is shown in the graph on the right. If, in contrast, the price of the substitute (margarine) increases, the demand for the original item (butter) also increases.

Complementary Goods Complements are products that are generally bought and sold together.



demand (in millions)

If Price of Substitute Decreases

