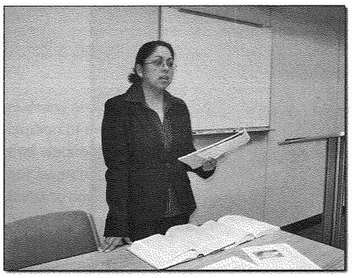
Directions: You will now listen to part of a lecture. You will then be asked a question about it. After you hear the question, give yourself 20 seconds to prepare your response. Then record yourself speaking for 60 seconds.

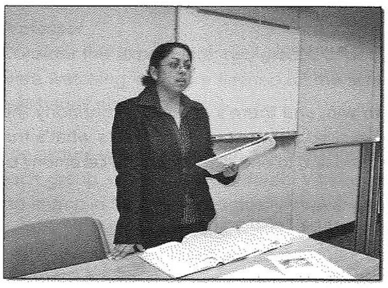
Listen to Track 119.



6. Using the points and examples from the talk, explain how substitute goods and complement goods influence demand for a particular product.

Preparation Time: 20 seconds
Response Time: 60 seconds

TRACK 119 TRANSCRIPT



Narrator
Listen to part of a lecture in an economics class.

Professor
So when we talk about the demand for a product, we're referring to *how much* consumers want to buy it, right? And often the demand for a product is influenced by its price—the more expensive it becomes, the less chance that people will want to buy it. OK. But that's not the whole story. Sometimes the *demand* for a product can also be influenced by the price of *other, related* products.

First, there are those products called *substitute goods*. If products can be *substituted* for one another, then, um, well, then they're called substitute goods. They're similar enough to be interchangeable. And, uh, an increase in the price of one means an increase in the demand for the other. Like, uh, like butter and margarine. They're pretty much used for the same purposes. Margarine's a butter substitute. And you can bake equally well with either. Well, when the price of butter goes up, it becomes less affordable, and so what do people do? They buy margarine instead, right? So, uh, you see, an increase in the price of *butter* increases the demand for *margarine*.

Now, another instance where the price of one product can influence the demand of another is, uh, is when you have two products that *can't* be *used* without each other. Those products we call *complement goods*. They complement, or, uh, complete, each other, if you will. Like compact discs and compact disc players. You need *both* products in order to use either. So if the price of either product increases, demand for *both* is likely to decrease. And if the price of CDs goes up, well, demand for them will go down, right? And because CDs and CD players complement each other, what'll *also* happen is that the demand for *CD players* will go down too.

Narrator
Using the points and examples from the talk, explain how substitute goods and complement goods influence demand for a particular product.