

**29. Incorrect The answer is true not false.** Cross elasticities of demand and supply tell us something about the relationship between goods. If the demand cross price elasticity is positive, an increase in the price of one good increases the purchases for the other, suggesting the two goods are substitutes. For example, in econometric studies of household energy demand for natural gas, an increase in the price of natural gas, all else equal, raises the demand for electricity. Since gas and electricity are both used for household heating, cooking, and water heating, an increase in the price of one causes some households to shift to the other fuel. Complements would have a negative cross price elasticity.