

QUESTION 1: THE EFFECT OF A CHANGE IN THE PRICE OF A SUBSTITUTABLE INPUT

1. Suppose that the price of a substitutable input falls. How will the firm's output change? Will the firm's profit increase or decrease? Explain your answer.

2. Suppose that the price of a substitutable input falls. How will the firm's output change? Will the firm's profit increase or decrease? Explain your answer.

3. Suppose that the price of a substitutable input falls. How will the firm's output change? Will the firm's profit increase or decrease? Explain your answer.

4. Suppose that the price of a substitutable input falls. How will the firm's output change? Will the firm's profit increase or decrease? Explain your answer.

5. Suppose that the price of a substitutable input falls. How will the firm's output change? Will the firm's profit increase or decrease? Explain your answer.

