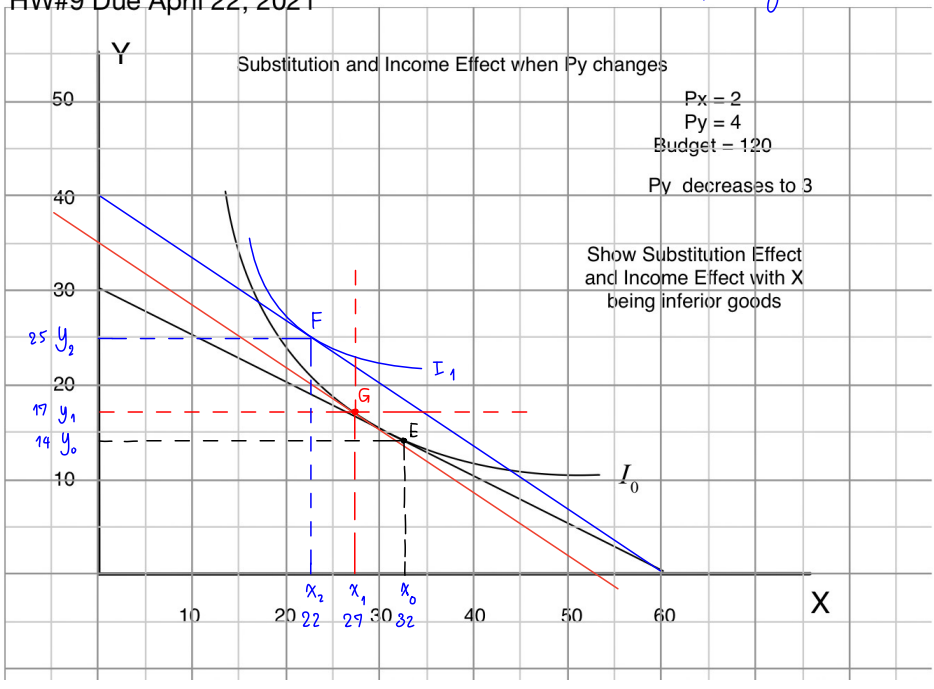
HW#9 Due April 22, 2021

Pimyada Kunanond
6204141092



X is inferior

old: $2x + 4y = 120$
new: $2x + 3y = 120$

- The eq point changes from $E = (x_0, y_0)$ to $F = (x_2, y_2)$
- relative price changes from $\frac{P_x}{P_y} = \frac{2}{4} = \frac{1}{2}$ to $\frac{P_x}{P_y'} = \frac{2}{0}$

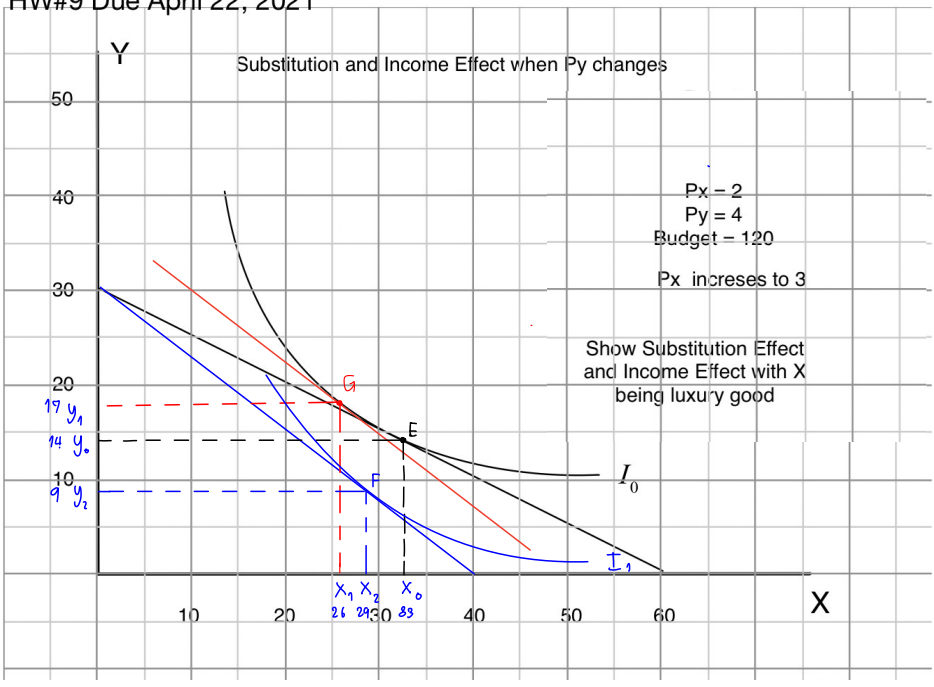
- S.E. $= \begin{cases} \Delta x = x_1 - x_0 = 27 - 32 = -5 < 0 \\ \Delta y = y_1 - y_0 = 17 - 14 = 3 > 0 \end{cases}$

- I.E. $= \begin{cases} \Delta x = x_2 - x_1 = 22 - 27 = -5 < 0 \\ \Delta y = y_2 - y_1 = 25 - 17 = 8 > 0 \end{cases}$ x is inferior, y is luxury

- T.E. $= \begin{cases} \Delta x = x_2 - x_0 = 22 - 32 = -10 \\ \Delta y = y_2 - y_0 = 25 - 14 = 11 \end{cases}$

Pimyada 6304141092

HW#9 Due April 22, 2021



X is luxury

old: $2x + 4y = 120$
new: $3x + 4y = 120$

- The eq point changes from $E = (x_0, y_0)$ to $F = (x_2, y_2)$
- relativ price changes from $\frac{P_x}{P_y} = \frac{2}{4} = \frac{1}{2}$ to $\frac{P_x}{P_y'} = \frac{3}{4}$

- S.E $= \begin{cases} \Delta x = x_1 - x_0 = 26 - 33 = -5 < 0 \\ \Delta y = y_1 - y_0 = 17 - 14 = 3 > 0 \end{cases}$

- I.E $= \begin{cases} \Delta x = x_2 - x_1 = 29 - 26 = 3 > 0 \\ \Delta y = y_2 - y_1 = 9 - 17 = -8 < 0 \end{cases}$ x is luxury, y is inferior

- T.E $= \begin{cases} \Delta x = x_2 - x_0 = 29 - 33 = -4 < 0 \\ \Delta y = y_2 - y_0 = 9 - 14 = -5 < 0 \end{cases}$