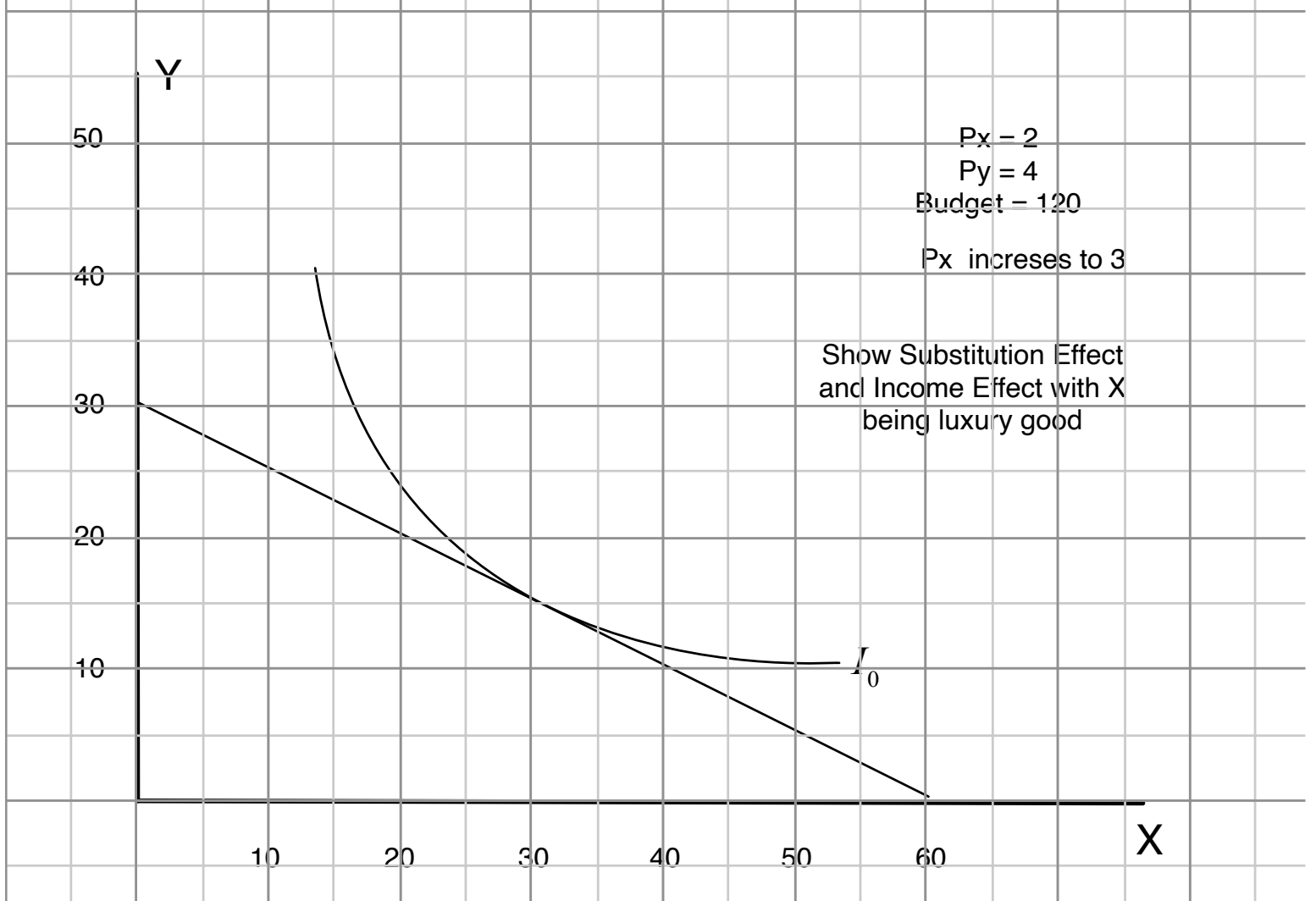
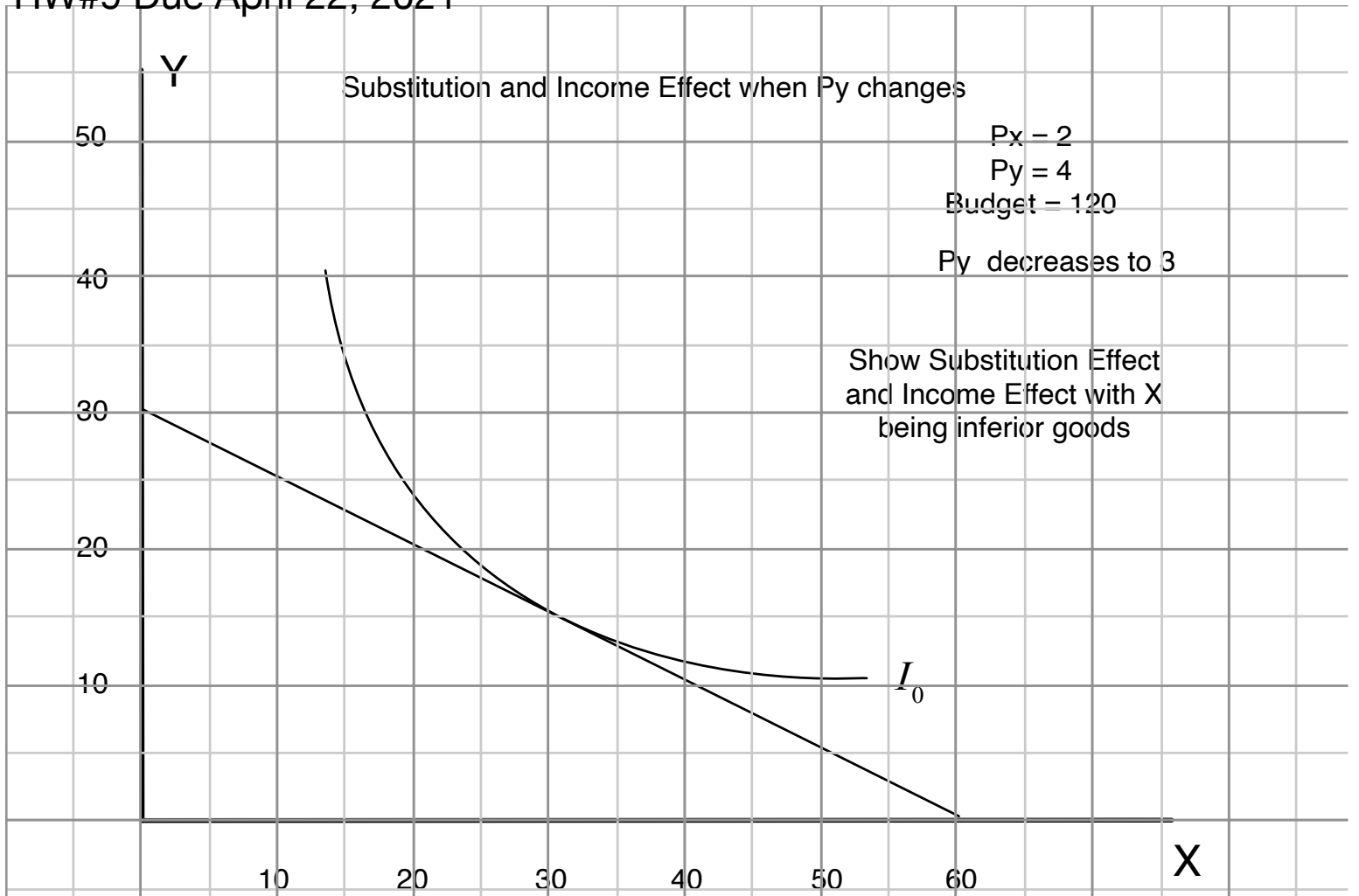


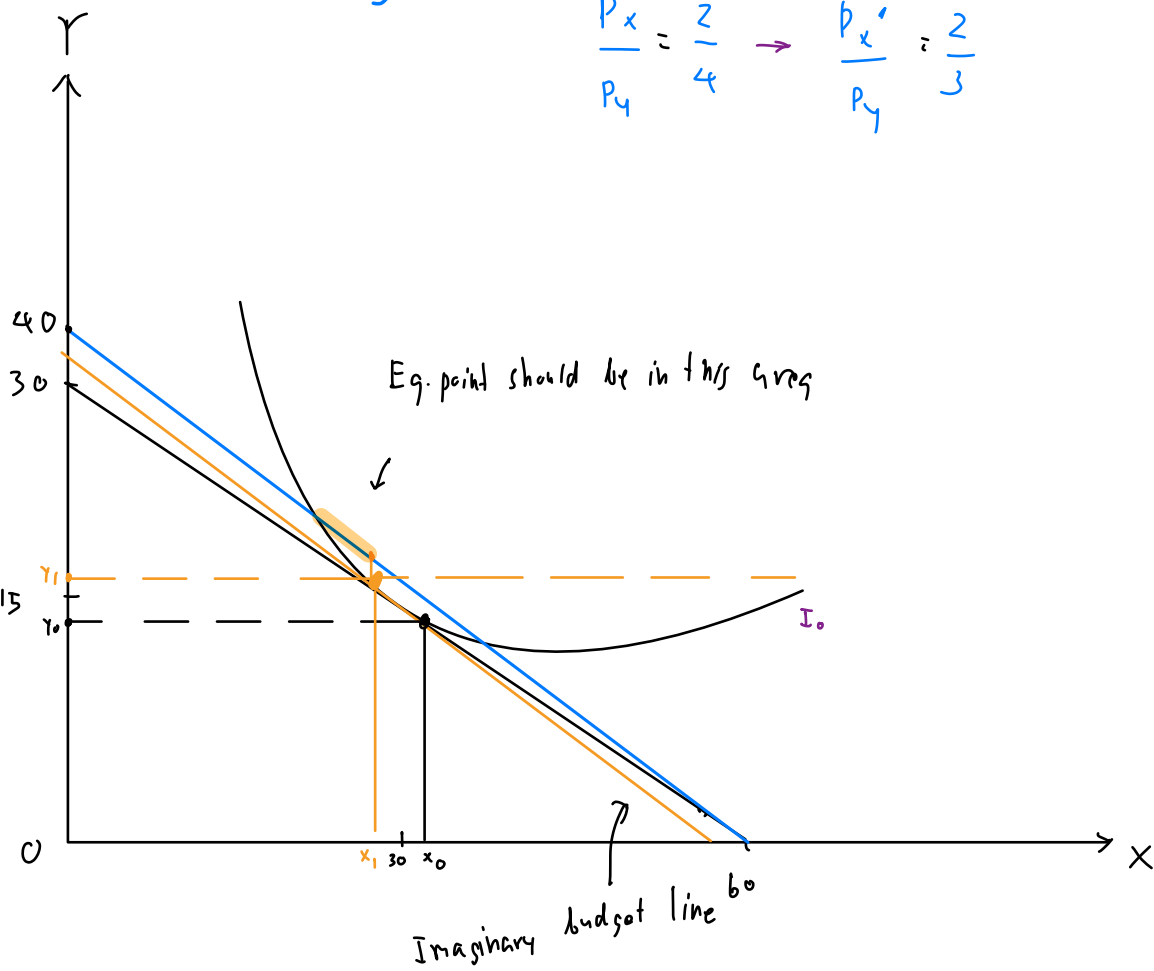
HW#9 Due April 22, 2021



1.) $P_x = 2$, $P_y = 4$, Budget = 120, $x =$ inferior goods

↓
3

$$\frac{P_x}{P_y} = \frac{2}{4} \rightarrow \frac{P_x'}{P_y} = \frac{2}{3}$$



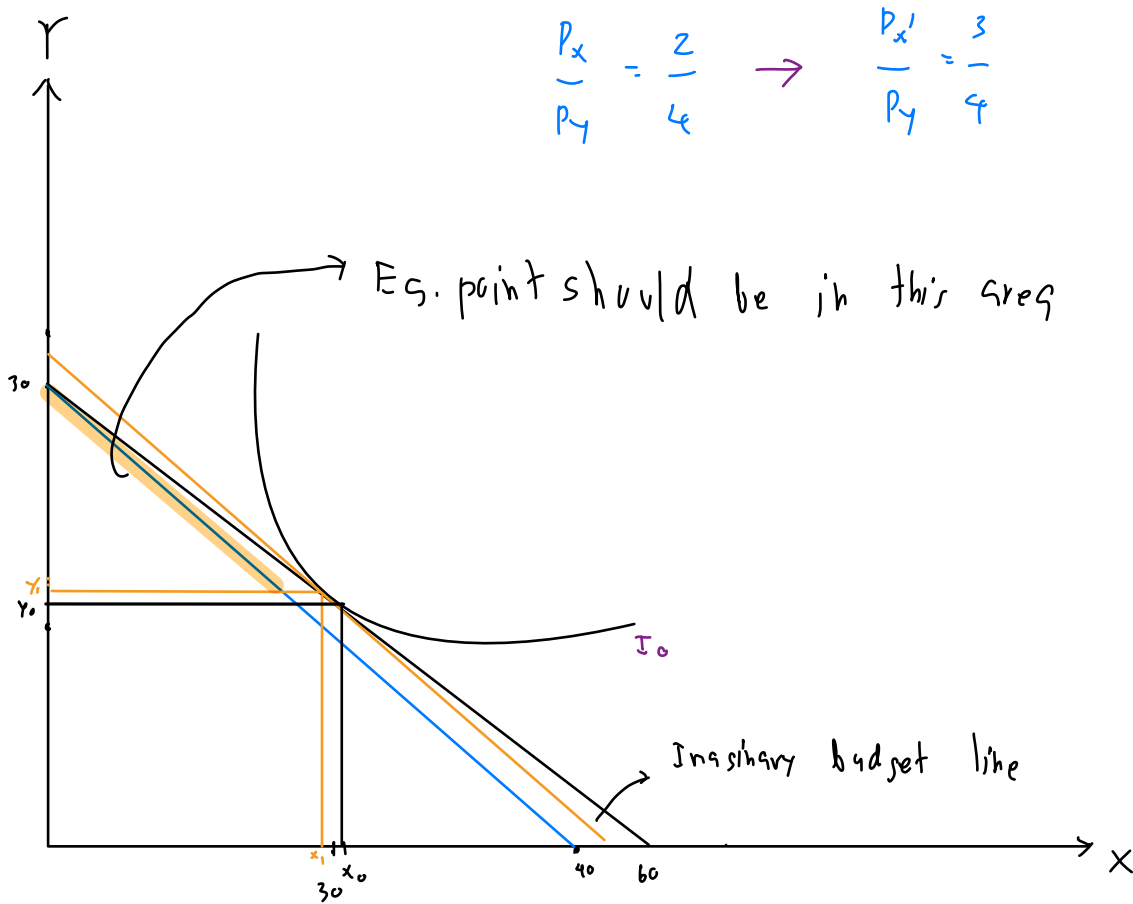
For S.E. $\rightarrow \Delta x ; x_1 - x_0 < 0$
 $\Delta y ; y_1 - y_0 > 0$ } x & y are complementary

For I.E. $\rightarrow \Delta x ; x_2 - x_1 < 0$
 $\Delta y ; y_2 - y_1 > 0$ } with higher real income, buying less units of x because x is inferior goods.

For T.E. S.E. + I.E. = $x_2 - x_0 < 0$
 $y_2 - y_0 > 0$

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2) $P_x = 2$, $P_y = 4$, Budget = 120, $x = \text{luxury goods}$



$$\frac{P_x}{P_y} = \frac{2}{4} \rightarrow \frac{P_x'}{P_y} = \frac{3}{4}$$

For S.E. $\rightarrow \left. \begin{array}{l} \Delta x ; x_1 - x_0 < 0 \\ \Delta y ; y_1 - y_0 > 0 \end{array} \right\} x \text{ \& \ } y \text{ are complementary}$

For I.E. $\rightarrow \left. \begin{array}{l} \Delta x ; x_2 - x_1 < 0 \\ \Delta y ; y_2 - y_1 > 0 \end{array} \right\} \text{with lower real income, buying less units of } x \text{ because } x \text{ is luxury goods.}$

For T.E. $\text{S.E. + I.E.} = \begin{array}{l} x_2 - x_0 < 0 \\ y_2 - y_0 > 0 \end{array}$

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