

Substitution and Income Effect when P_y changes

$P_x = 2$

$P_y = 4$

Budget = 120

P_y decreases to 3

Show Substitution Effect and Income Effect with X being inferior goods

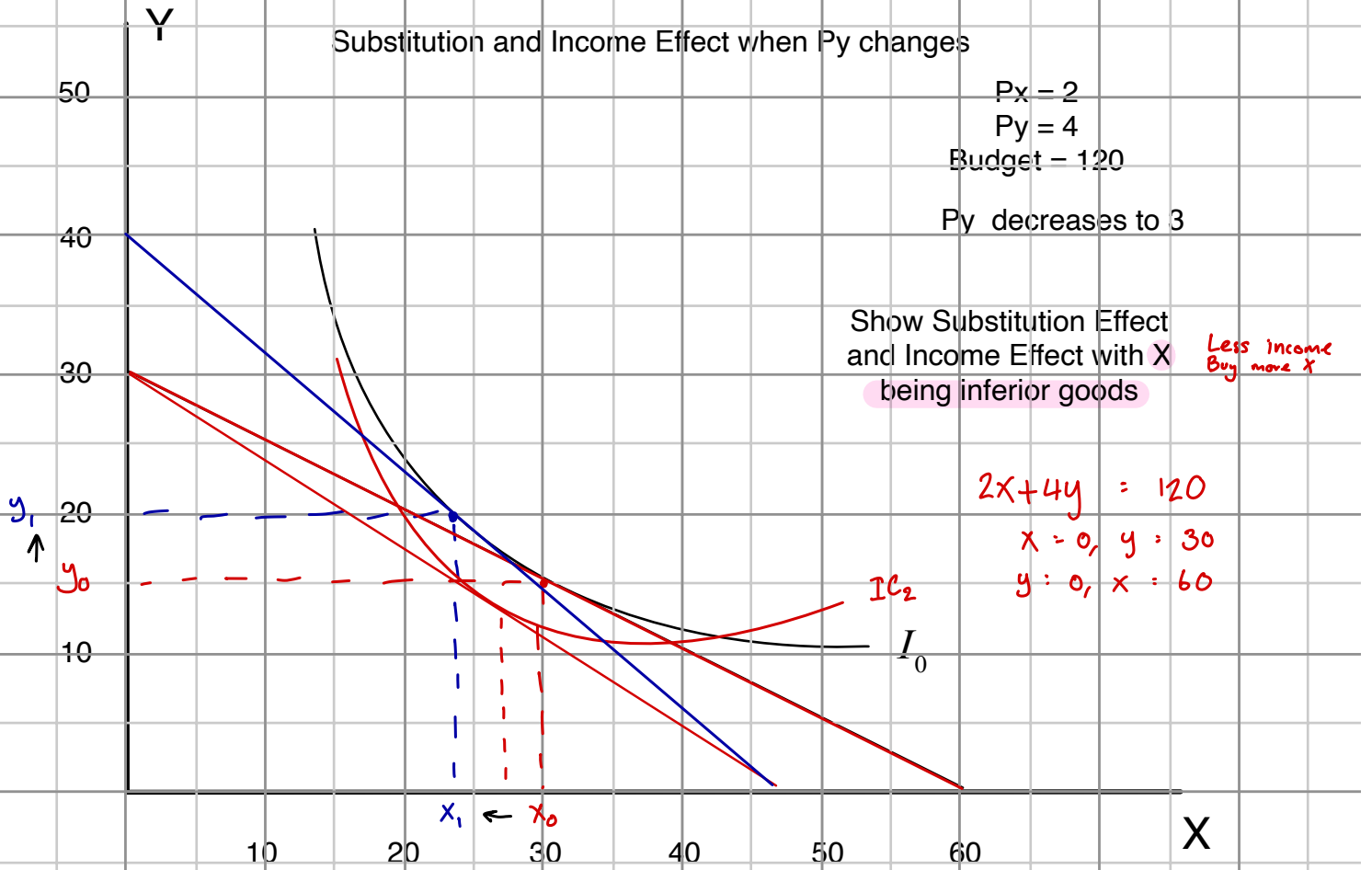
Less income Buy more X

$y_1 \uparrow$

$2X + 4y = 120$

$x = 0, y = 30$

$y = 0, x = 60$



Y

$P_x = 2$

$P_y = 4$

Budget = 120

P_x increases to 3

Show Substitution Effect and Income Effect with X being luxury good

50

40

30

20

10

Y

