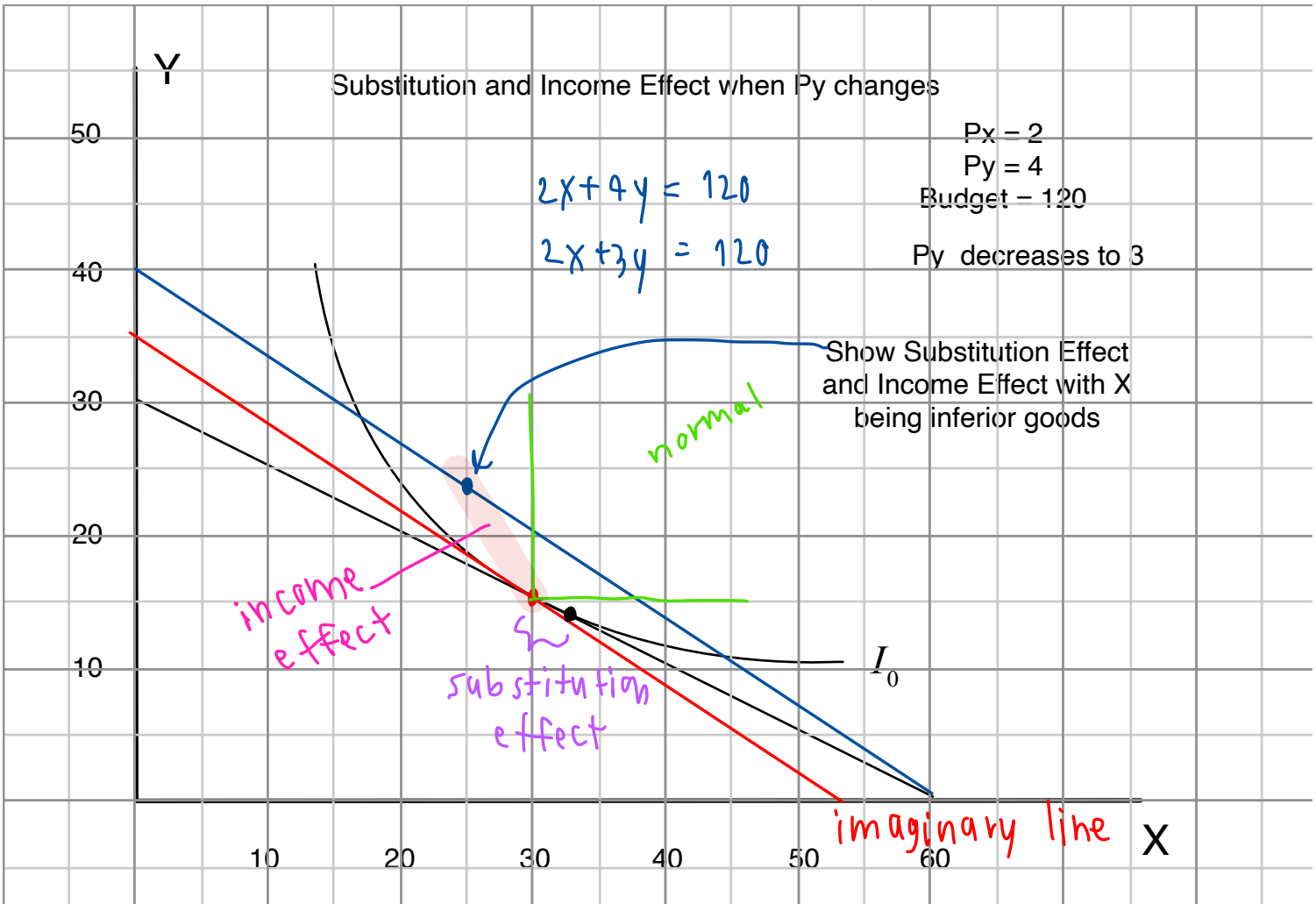
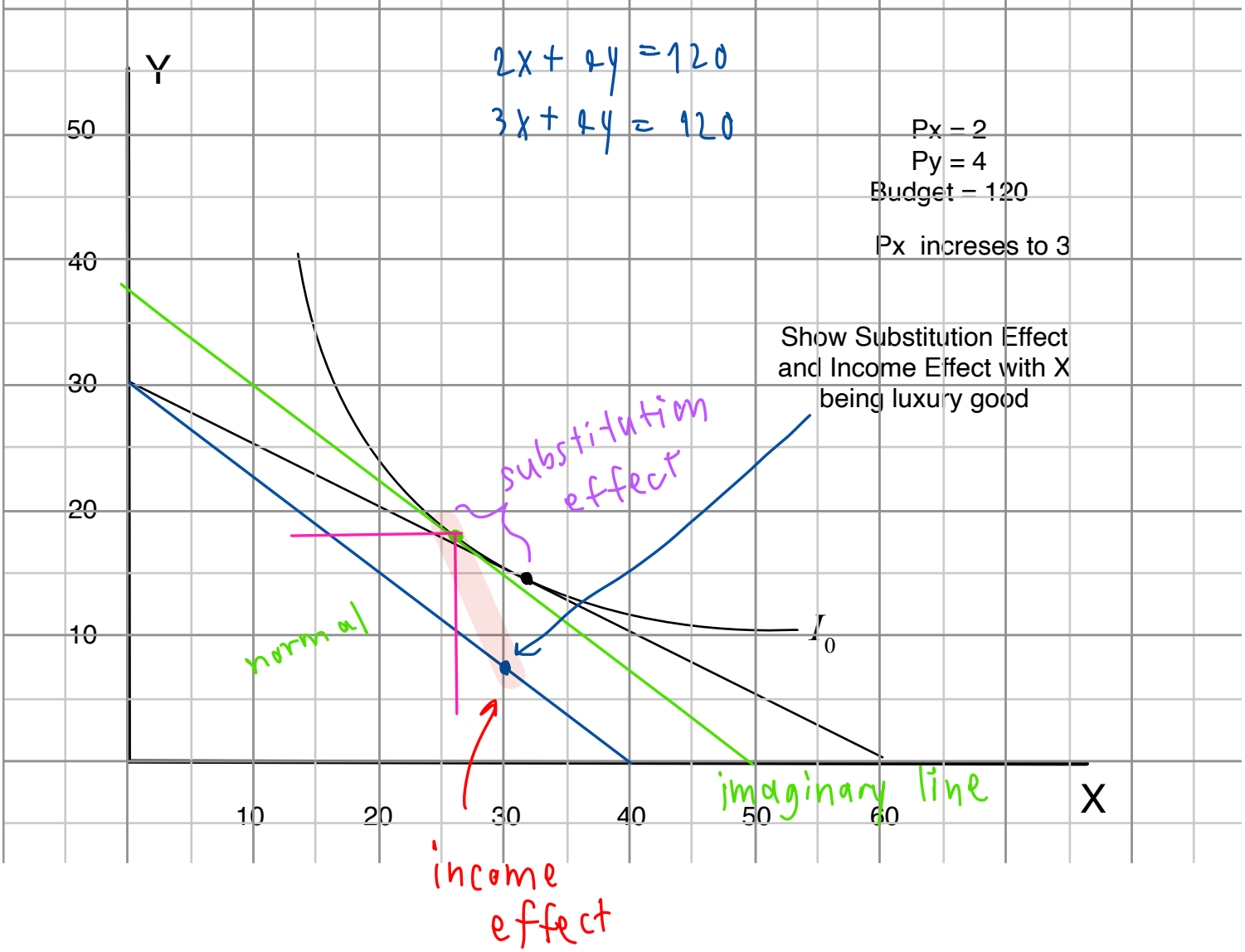

Substitution and Income Effect when Py changes
Px = 2
Py = 4
Budget = 120
Py decreases to 3
2x+4y = 120
2x+3y = 120
Show Substitution Effect and Income Effect with X being inferior goods
normal
income effect
substitution effect
I_0
imaginary line
Y
X
50
40
30
20
10
10
20
30
40
50
60


2x + 4y = 120
3x + 4y = 120
Px = 2
Py = 4
Budget = 120
Px increses to 3
Show Substitution Effect and Income Effect with X being luxury good
substitution effect
normal
I_0
imaginary line
income effect
Y
X
50
40
30
20
10
10
20
30
40
50
60