

Substitution and Income Effect when P_y changes

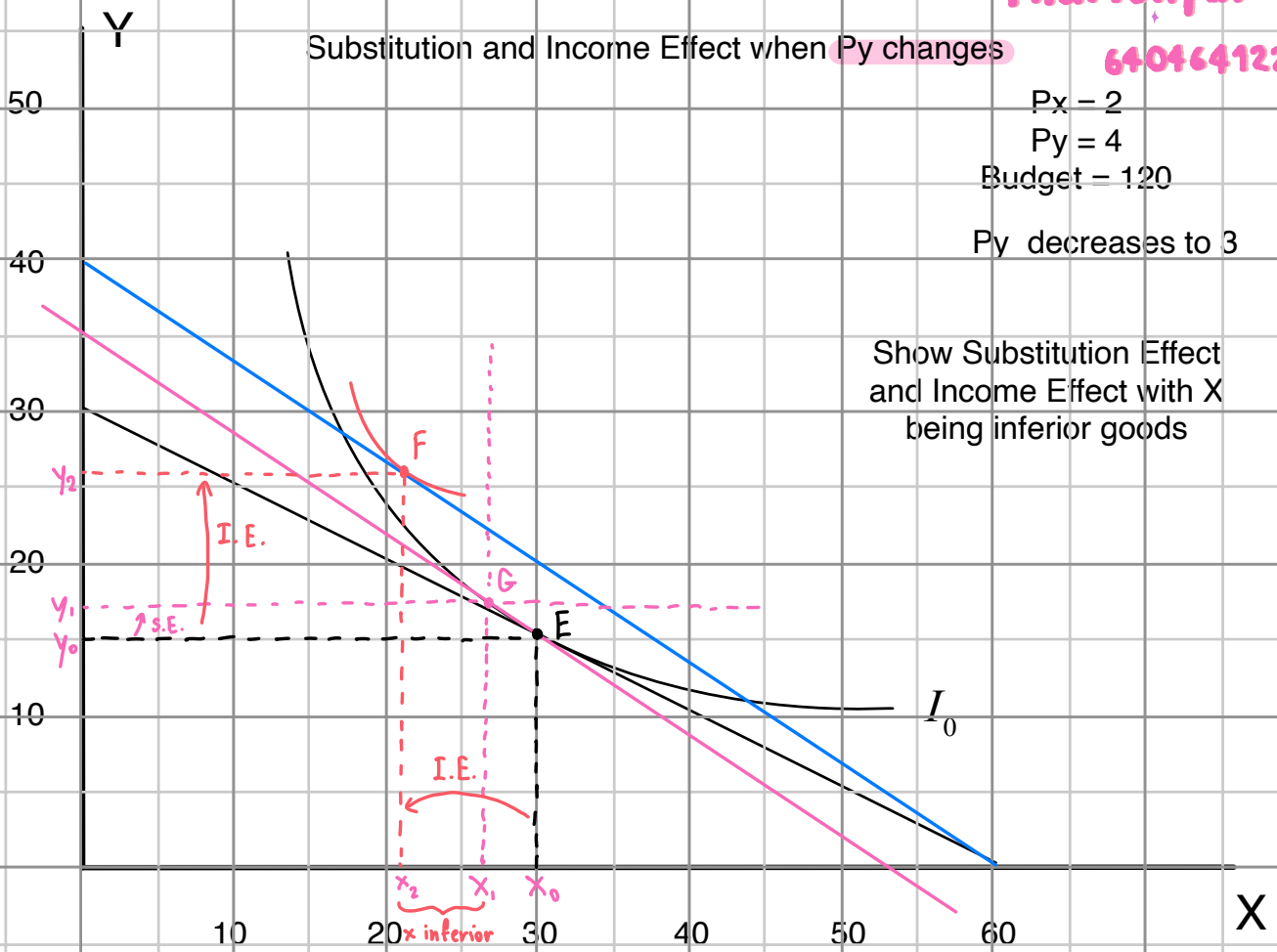
$$P_x = 2$$

$$P_y = 4$$

$$\text{Budget} = 120$$

P_y decreases to 3

Show Substitution Effect and Income Effect with X being inferior goods



$$P_x = 2$$

$$P_y = 4$$

$$\text{Budget} = 120$$

P_x increases to 3

Show Substitution Effect and Income Effect with X being luxury good

