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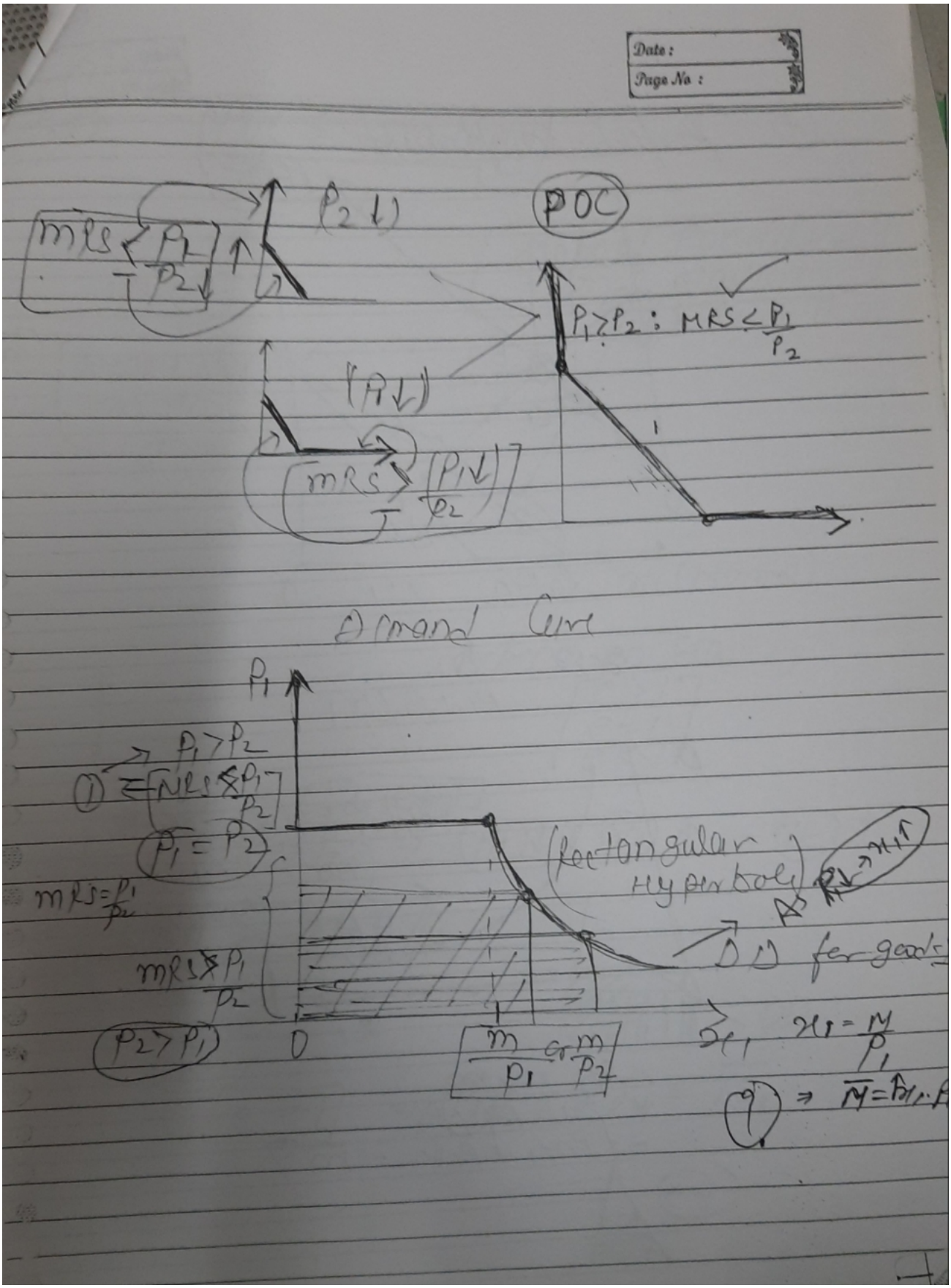
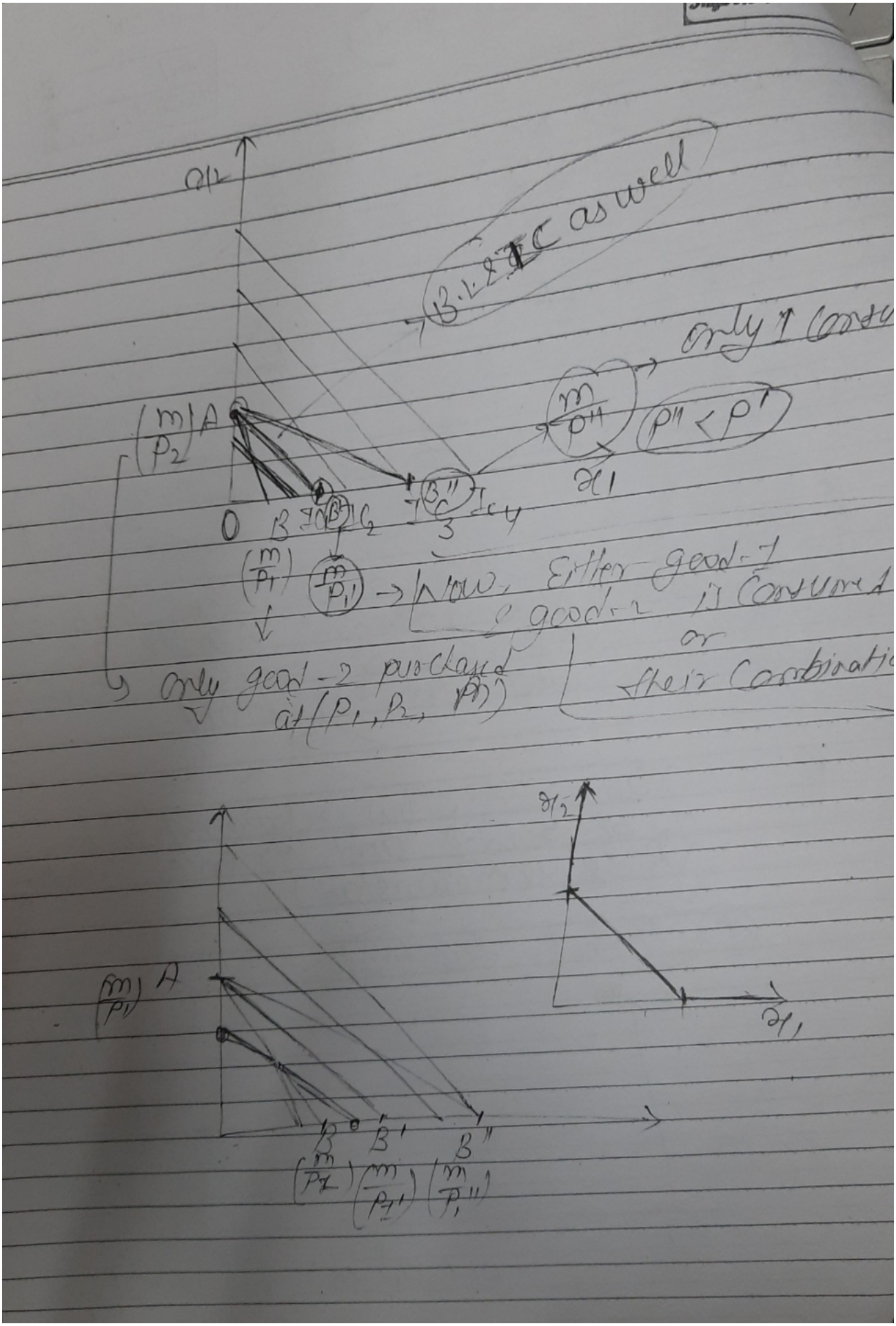

MRS < P1/P2 ↑
P2 ↓
POC
P1 ↓
P1 ≥ P2 : MRS ≤ P1/P2
MRS > P1/P2
Demand Curve
P1
P1 > P2
MRS ≤ P1/P2
P1 = P2
MRS = P1/P2
MRS ≥ P1/P2
P2 > P1
0
m/P1 or m/P2
rectangular hyperbola
DD for good 1


B.L & IC as well
only 1 Consu
$\frac{m}{P_2}$ A
$\frac{m}{P_1''}$
$P'' < P'$
x_1
O
B
B'
C_2
B''
C_3
IC_4
$\frac{m}{P_1}$
$\frac{m}{P_1'}$
Now, Either good-1
& good-2 is Consumed
or
their Combinatio
only good-2 purchased
at (P_1, P_2, P_1')
x_2
$\frac{m}{P_2}$ A
x_1
B
B'
B''
$\frac{m}{P_2}$
$\frac{m}{P_1'}$
$\frac{m}{P_1''}$

$\downarrow \Delta P \rightarrow \uparrow \Delta m \rightarrow \uparrow \Delta x_1$

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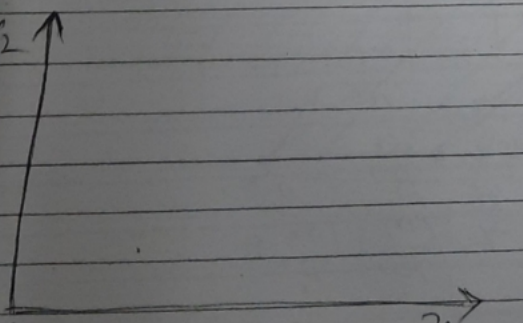
	SE	TE $\frac{\Delta x}{\Delta m}$	PE	
$P_1 \rightarrow x_2 \uparrow \rightarrow x_1 \downarrow$				
N:	−	−	−	↘
I:	−	+	−	↘ (DD not related)
G:	−	+	+	↙ (Law of DD related)

POC Showed locus of different Combination of optimally demanded bundle at diff. price level of good-1, Keeping price ② and m constant.

(*) DD curve :- It show relationship betwn Qd of good-1 and it's price. (Keeping P_2 & m constant).

(*) Perfect Substitute



$\frac{d^2 x_2}{dx_1^2} > 0$

MRS < $\frac{P_1}{P_2}$

⇒ good-2 on

(P1↓, P2, m) ⇒ MRS < $\frac{P_1 \text{ new}}{P_2}$

as P1 ↓ ⇒ $\frac{P_1}{P_2}$ ↓

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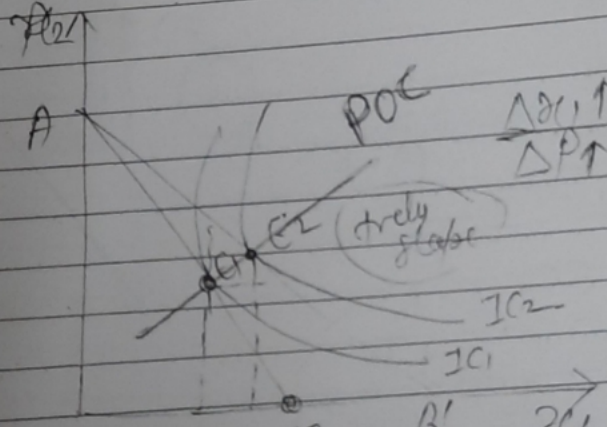
Note :- Non-Linear, Commodity - Salt, Oil, grains, Both pasta.

(A) [Price change] → Good - 1 ($P_1 \downarrow$)

(ΔP, $\bar{P_2}$, $\bar{m}$)

[All Giffen are inferior]



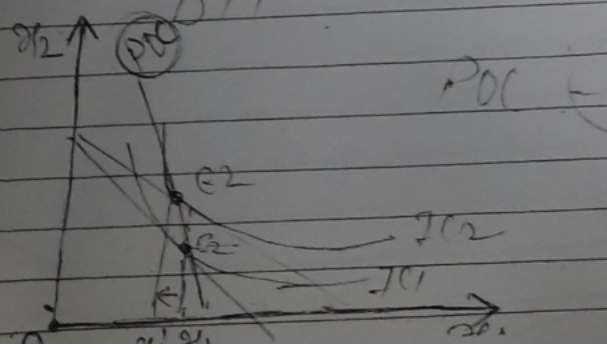
$\frac{\Delta x_1}{\Delta P_1} \uparrow > 0$ → Inf (When)

< 0 → Normal / Inf

[Both are Normal]

Case: (1) $\frac{\Delta x_1}{\Delta P_1} < 0$ ↓

Case (2) : $\frac{\Delta x_1}{\Delta P_1} > 0$ (Giffen)



PCC - rely slaped