

### 3.13 Income and Substitution Effects and Willingness to Pay

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Compensating Variation: Price goes up, consumers hurt  
can supplement income to reduce impact

Equivalent Variation: Price goes up, what income loss is equivalent?

$$|CV| < |CS| < |EV|$$

Giffen good has upward demand curve

↳ inferior good. Potatoes in famine.  $P \uparrow$ . Poorer, buy more potato.