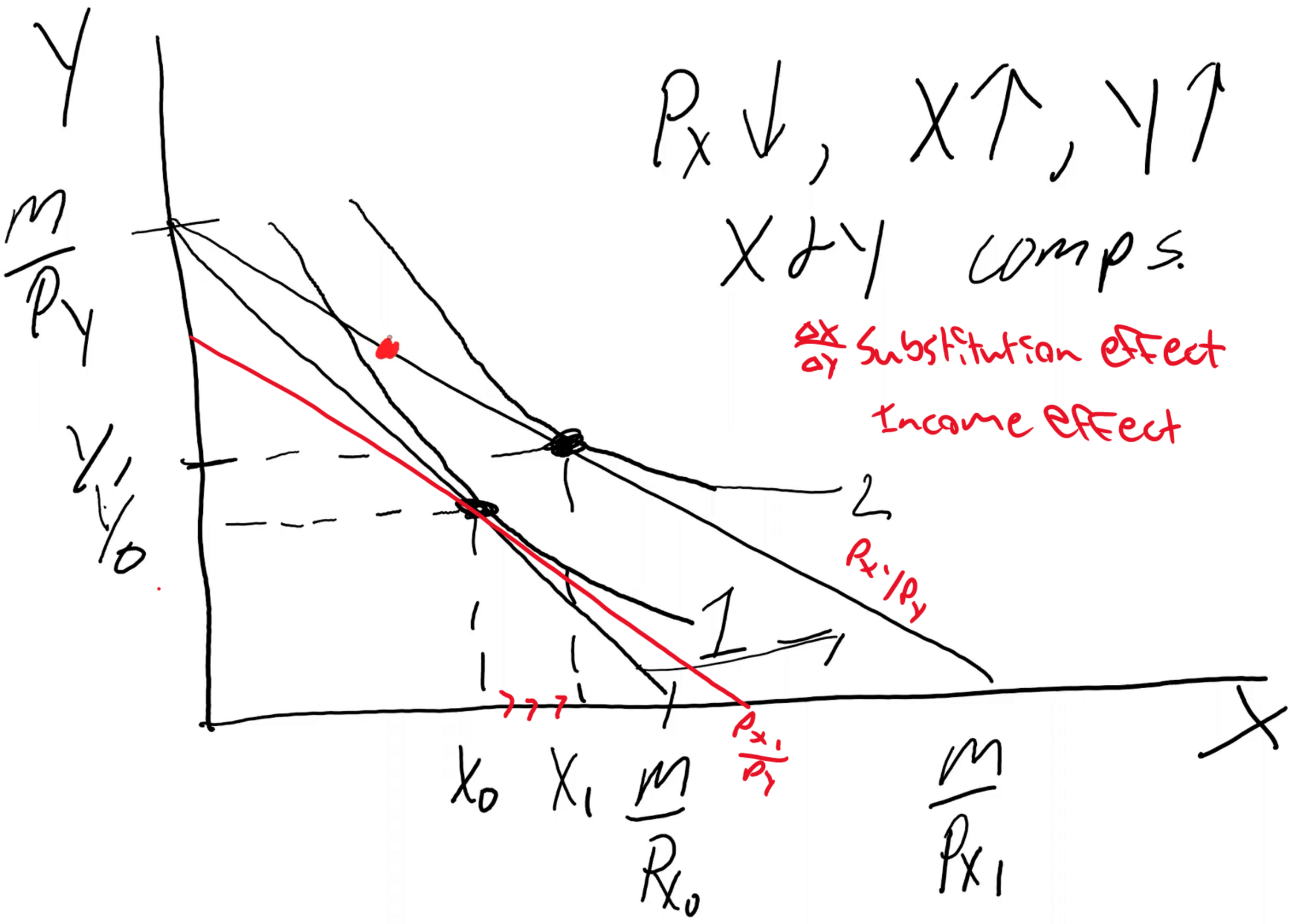
# 7.5 Substitution and

Friday, February 12, 2021 2:15 PM




SE Hold Utility constant but $\Delta P_X$ $\tilde{X} - X_0$ : SE

Higher real income $X_1 - \tilde{X}$ : IE

$\Delta X = X_1 - X_0 = (X_1 - \tilde{X}) + (\tilde{X} - X_0)$

IE SE

IF $P_x \uparrow \Rightarrow X \uparrow$

What if x is a normal good

IF x inferior & $|IE| > |SE| \Rightarrow$ Giffen goods