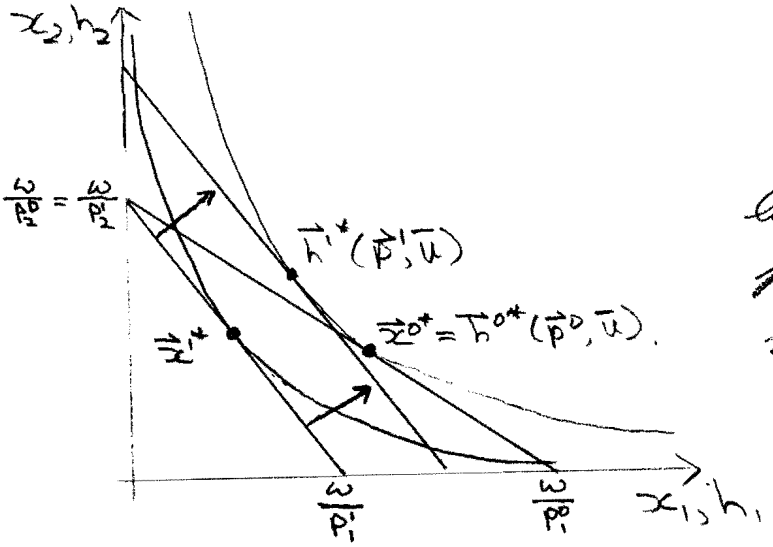
Hicksian vs Walrasian



Begin with price vector $\vec{p}^0 = \begin{bmatrix} p_1^0 \\ p_2^0 \end{bmatrix}$. The picture to the left depicts an increase in the price of good 1. Let the new price vector be $\vec{p}' = \begin{bmatrix} p_1' \\ p_2' \end{bmatrix}$.

$\Rightarrow \vec{x}^{0*}(\vec{p}^0, \omega) = \vec{h}^{0*}(\vec{p}^0, \bar{u})$. but

$\vec{x}'^*(\vec{p}', \omega) \neq \vec{h}'^*(\vec{p}', \bar{u})$.

2003 Midterm.