



$P_x \downarrow$

x normal.

y normal.

$A \rightarrow C$ total effect.

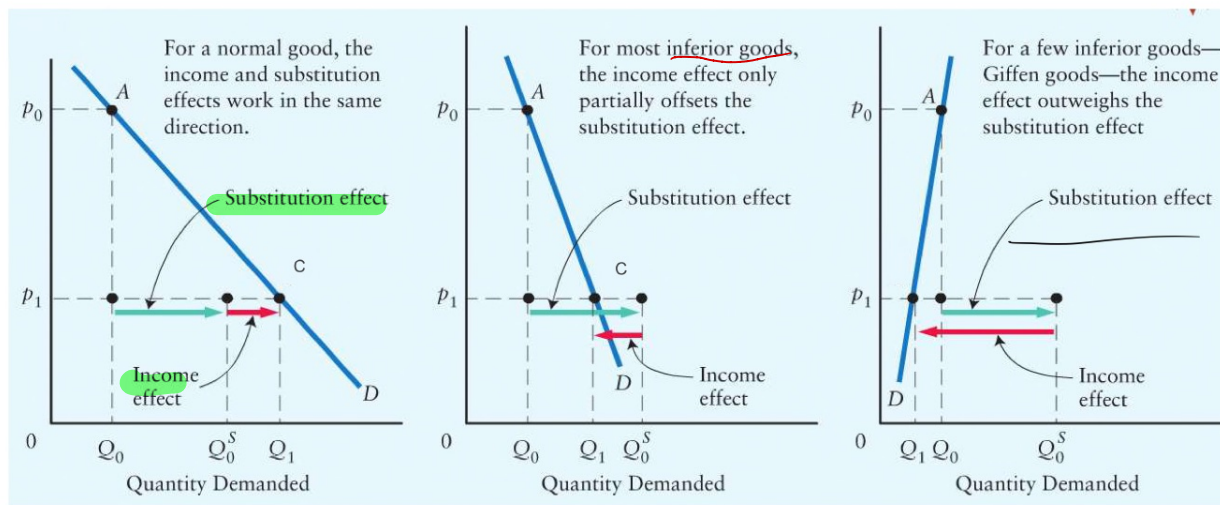
P_1, P_2, m

P_1', P_2, m'

real income.

$$\text{Income effect} = X_3 - X_2 = X_3(p_1', p_2, w) - X_2(p_1', p_2, w').$$

1. The law of demand holds for all normal goods because: SE 和 IE 方向相同
2. The law of demand holds for inferior goods if the substitution effect dominates the income effect. (steeper, more inelastic than normal goods)
3. The law of demand does not hold for Giffen goods.



➤ X的变化量

Type of Good	Substitution Effect	Income Effect	SE 和 IE 比较	Total Effect	Slope of Demand Curve
Normal	$X \uparrow$	$X \uparrow$	SE Reinforce IE 加强	$X \uparrow$	flat. positive
Inferior (Non-Giffen)	$X \uparrow$	$X \downarrow$	SE Dominate IE $X \uparrow$ 主导 $X \downarrow$	$X \uparrow$	steep. positive
Giffen	$X \uparrow$	$X \downarrow$	IE Dominate SE $X \uparrow$ $X \downarrow$	$X \downarrow$	positive upward sloping