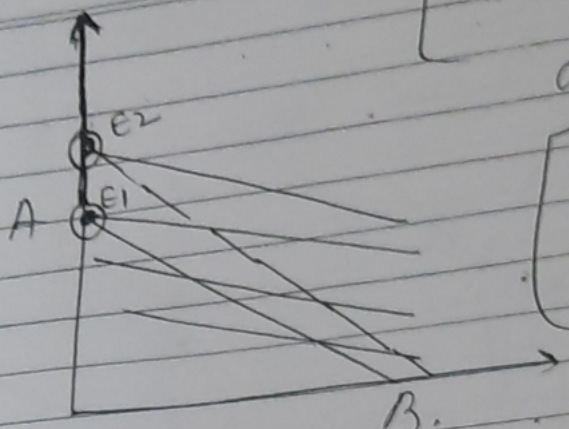
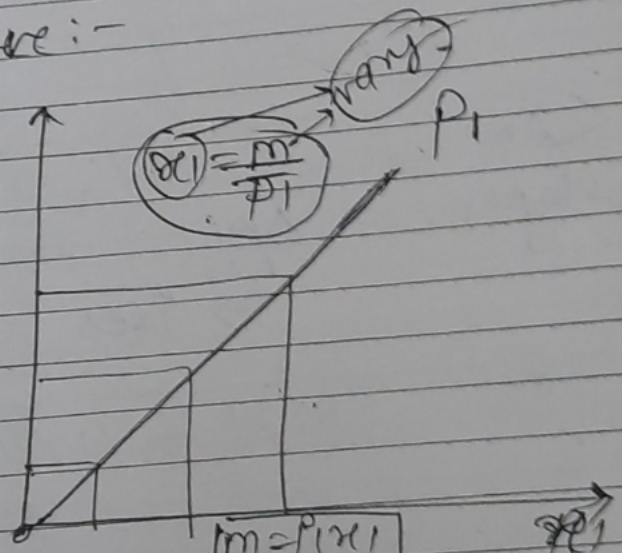
IOC (slope



$MRS < \frac{P_1}{P_2}$ only x_2

IOC will be coincide with Y-Axis

Angle Curve :-



when $MRS > \frac{P_1}{P_2}$ ⇒ only $x_1 = \frac{m}{P_1}$ ⇒ optimal

Slope of EC = $\frac{dm}{dx_1} = (P_1 x_1)' = P_1$

$m = P_1 x_1$

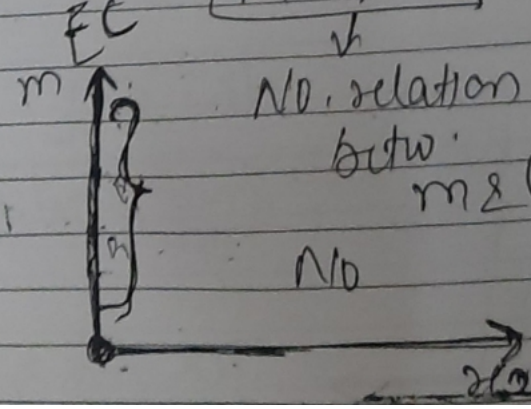
↓

No. relation btw m & P_2, x_2

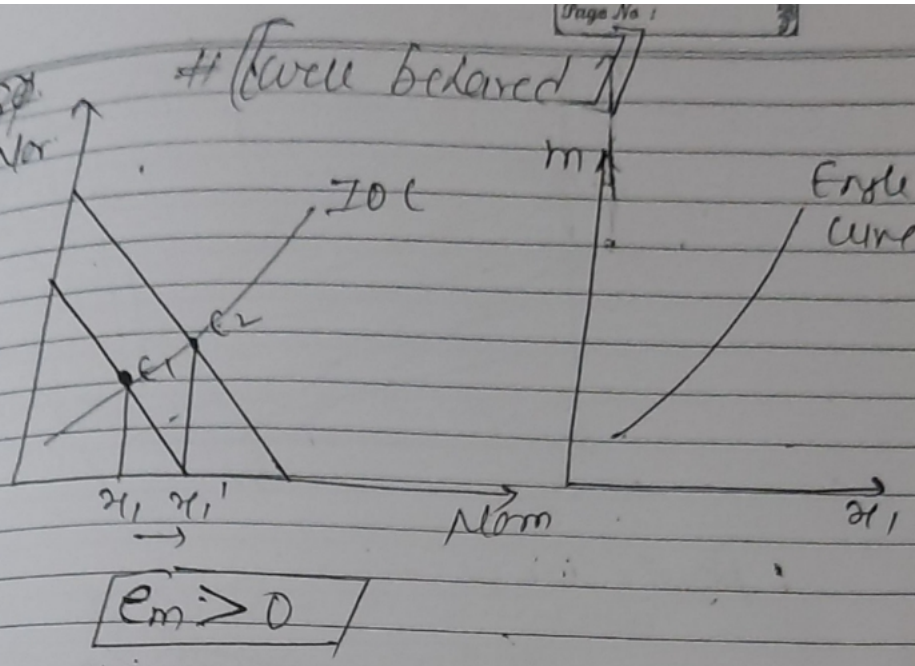
$\frac{d^2m}{dx_1^2} = 0$

↓

∴ Neither Concave nor Convex



Engel curve



$e = \frac{\%\Delta in\ x_1}{\%\Delta in\ m}$

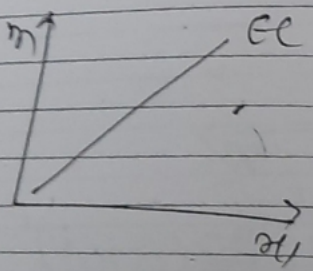
Nec: $e < 1$

$e_m > 0$

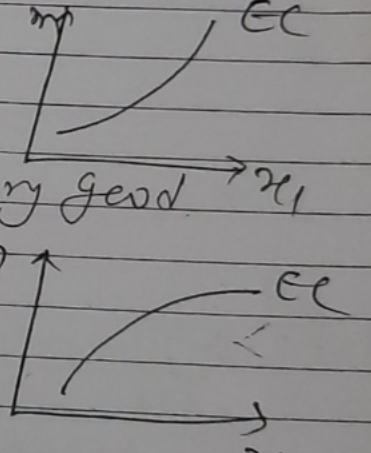
$\Delta x_1 < \Delta m$ $\quad 0 < e_m < 1$ → Necessary good

$\Rightarrow$ Slope $EC = \frac{\Delta m}{\Delta x_1}$

↳ Rises



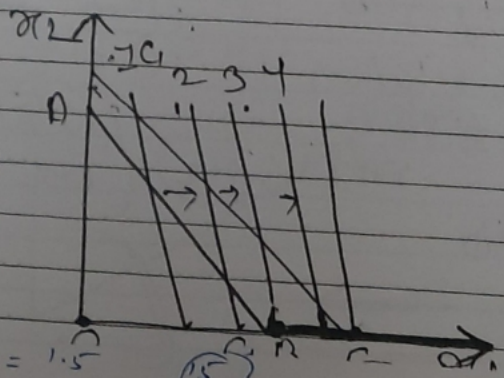
$e_m > 1$ → Luxury good



(4) Perfect Substitute.

Case (1)

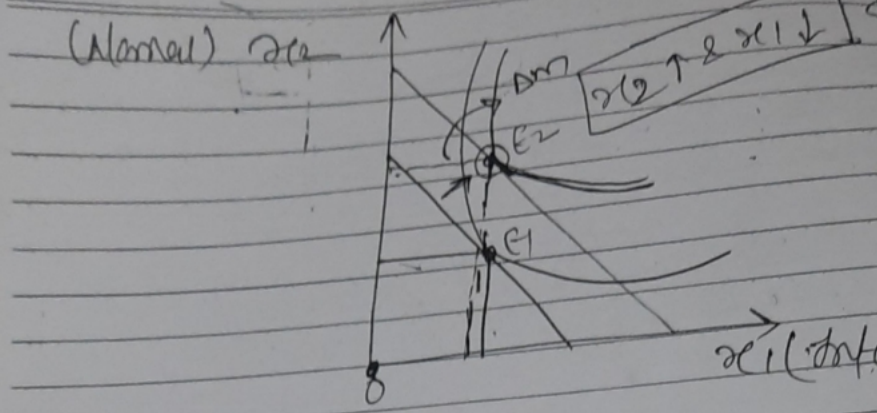
ICC Coincide with X-Axis



$\frac{\Delta y}{\Delta x} = \frac{20}{30} = \frac{30}{\quad} = 1.5$

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

only good-1



(*) Perfect Substitutes
- Shape & Slope of IOC &
- Shape, Slope & Eq. of Angle Curve.

(*) Income offer Curve connects together the optimal Consumption bundle demanded at different income level.
IOC show locus of diff. optimal bundles demanded at different income levels keeping prices constant. IOC is also know as income expansion path.

(*) Angle Curve: Keeping prices Constant, optimally demanded the relationship between optimally demanded bundle and different income level. Depicted through a curve is known as Angle Curve.

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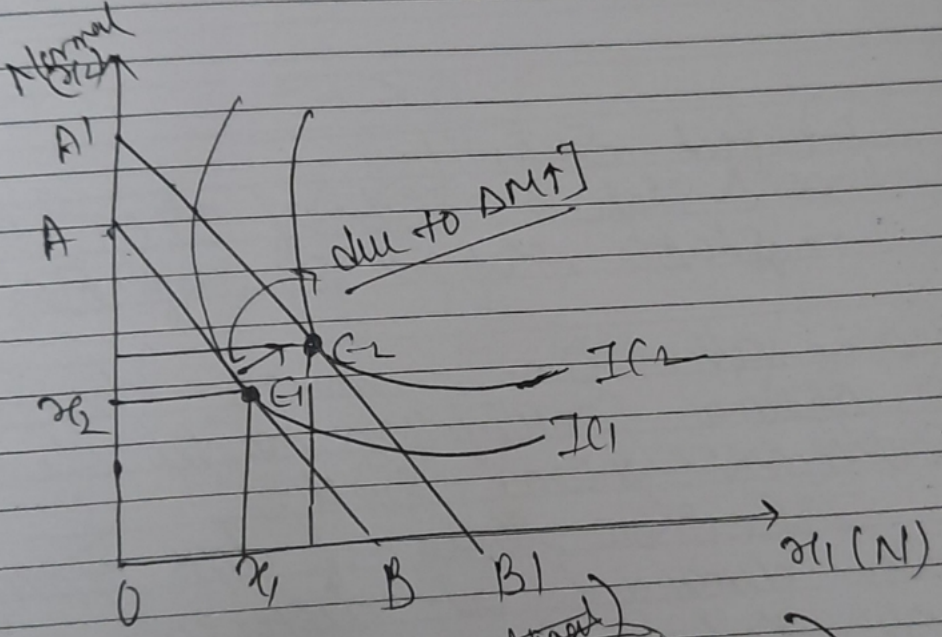
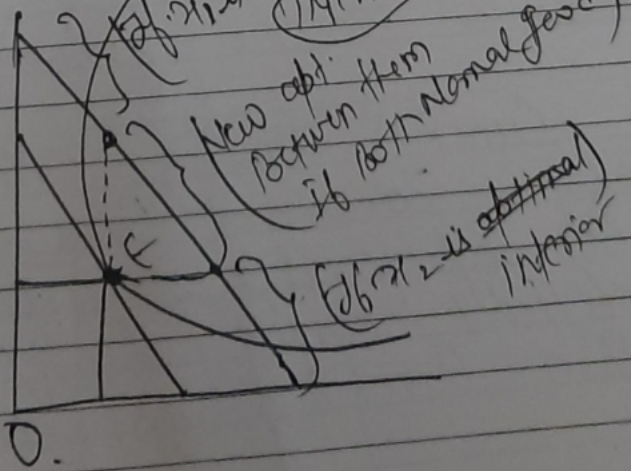
⊛ Ch-6 [Demand]

(I) $\downarrow \frac{\Delta x_1 \uparrow}{\downarrow \Delta m \uparrow} > 0$: [Normal]

(II) $\uparrow \frac{\Delta x_1 \downarrow}{\downarrow \Delta M \uparrow} < 0$ [Inferior] e.g. Bus ridus.

(I)