

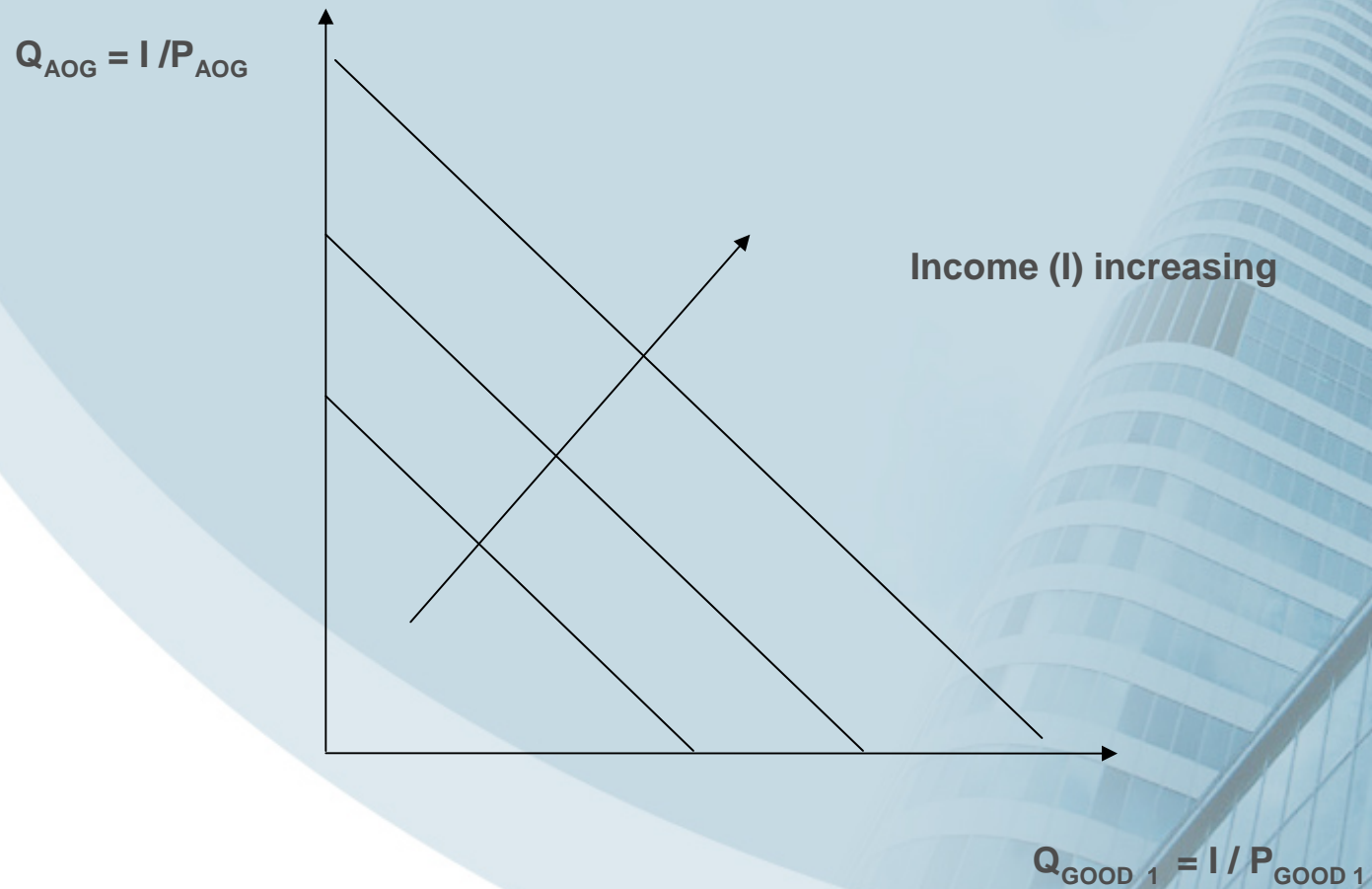
Demand Analysis

Dr. Smith



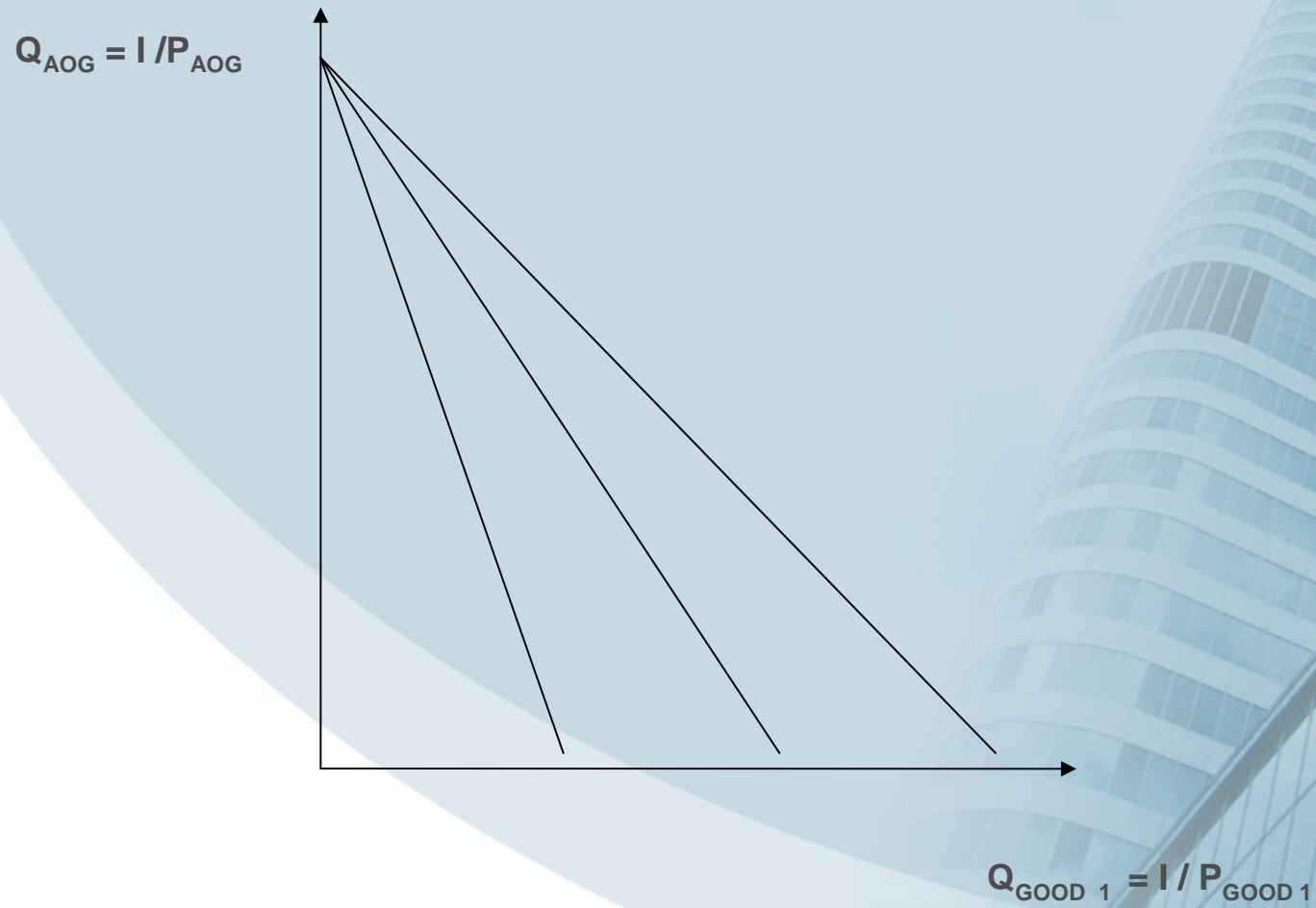
The Budget Constraint (BC)

Changes in BC due to Changes in Income



Changes in Budget Constraint (BC)

Changes in BC due to Changes in $P_{\text{Good 1}}$



Changes in Budget Constraint (BC)

Changes in BC due to Changes in Price of AOG

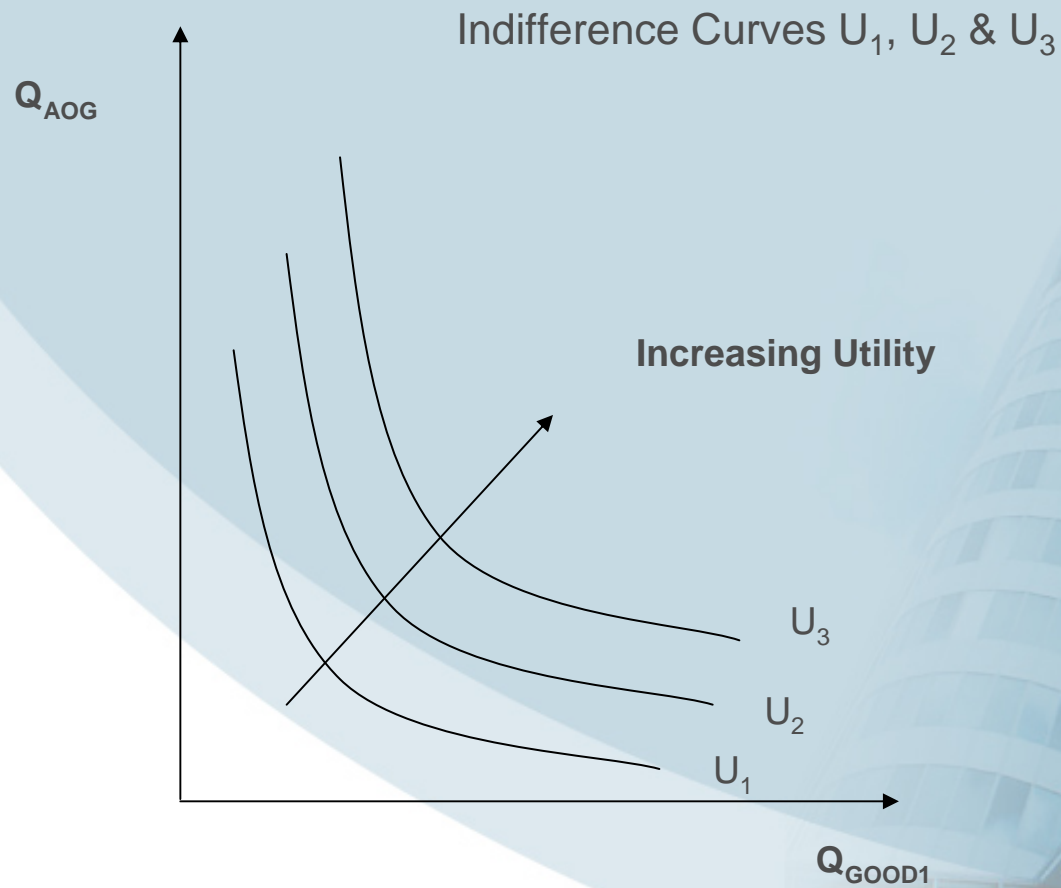
$$Q_{AOG} = I / P_{AOG}$$



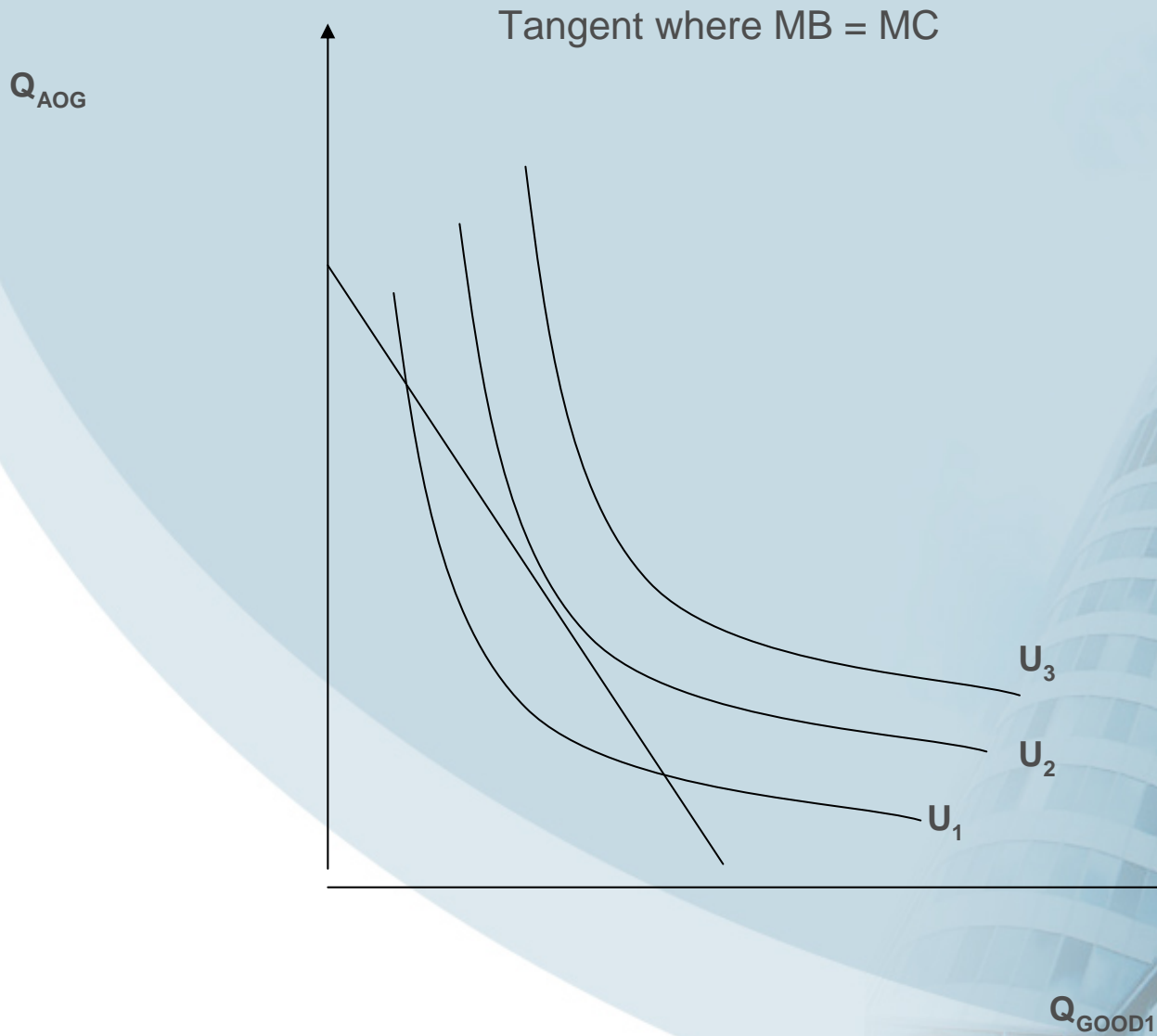
$$Q_{GOOD\ 1} = I / P_{GOOD\ 1}$$

Indifference Curves

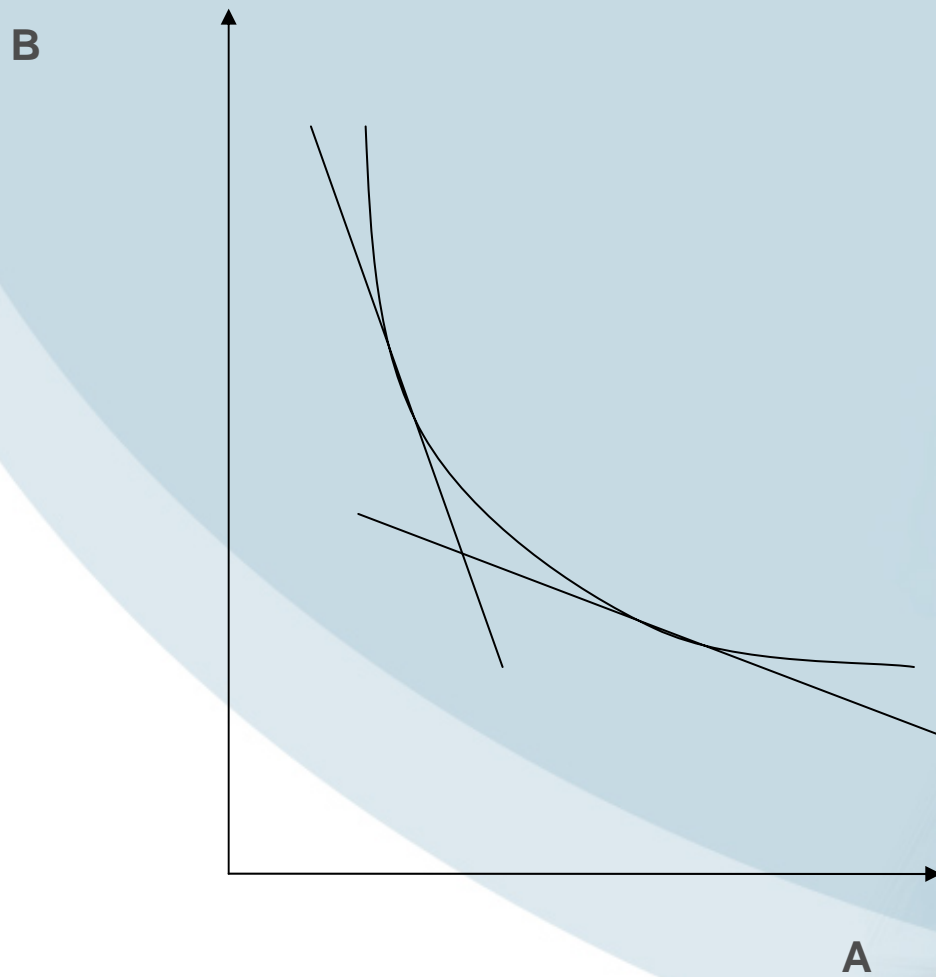
- Reflect Tradeoffs
- Higher Curves preferred to Lower Curves
- Bowed Inward (convex) DMU



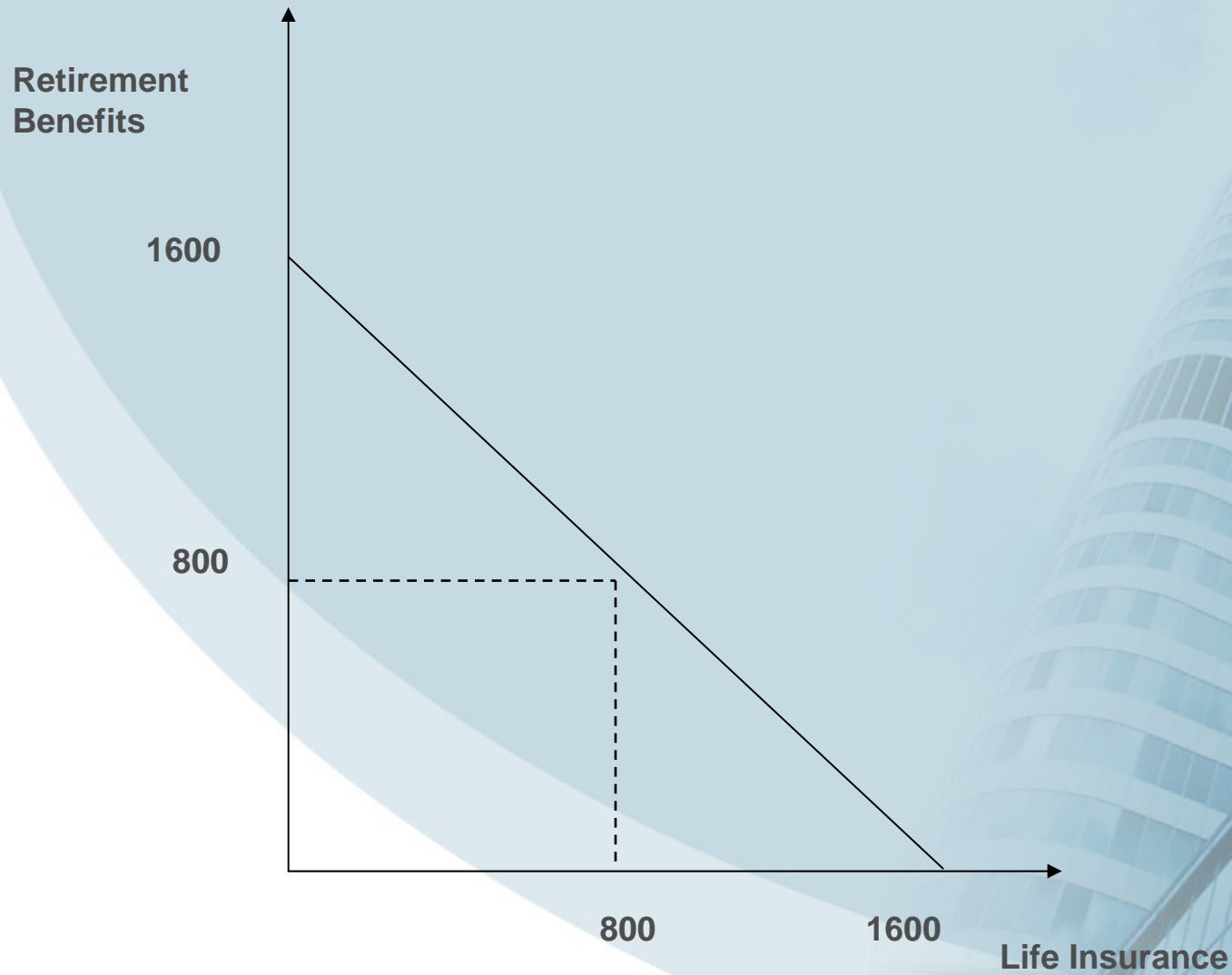
Tangents to Indifference Curves



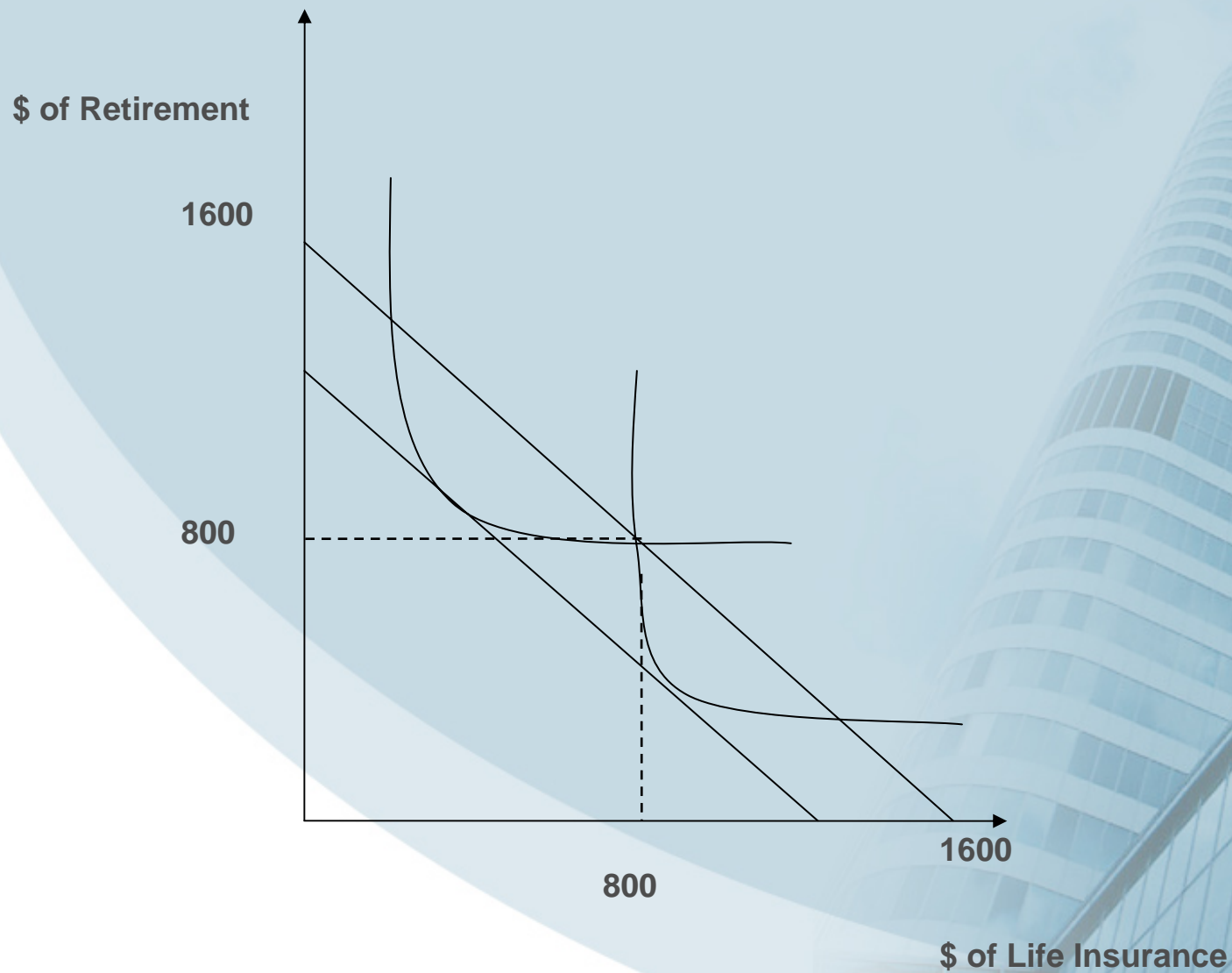
Slope Shows $MRS = MC$



Why Provide Flexible Benefits?



Can you Spend Less & Leave Everyone Better off?



Tradeoffs Depending upon the Quantity of each What you Have

