[Glossary]

Consumer Equilibrium

Subject:	Business Economics
Course:	B. A., 1st Semester, Undergraduate
Paper No. & Title:	Paper – 101 Microeconomics – I
Unit No. & Title:	Unit – 2 Consumer Equilibrium: Analysis of Indifference Curve
Lecture No. & Title:	Lecture – 3 Consumer Equilibrium: Analysis of Indifference Curve

Glossary

Income Effect

Measures the, effect of the change in real income.

Substitution Effect

Measures the effect of change in relative price, with real income constant.

Law of equi-marginal utility

The consumer is in equilibrium in regard to his purchases of various goods when marginal utilities of the goods are proportional to their prices.

Consumer equilibrium refers to a situation, in which a consumer derives maximum satisfaction, with no intention to change it and subject to given prices and his given income.

Marginal Rate of Substitutionis the rate at which a consumer is ready to give up one good in exchange for another good while maintaining the same level of utility. At equilibrium consumption levels (assuming no externalities), marginal rates of substitution are identical.