OBJECTIVE

The central problem of comparative static analysis is that of finding a rate of change that can be identified with a problem of finding the derivative of function under investigation.

Also, in comparative static analysis, you are likely to encounter the situation in which several parameters appear in a model, so that the equilibrium value of each endogenous variable may be a function of more than one parameter.

After studying this module, you will know about the Level Curves and Surfaces, Monotonic Functions, Homogeneous Functions. You will learn to find the derivative of a function of more than one variable.

Further you will also learn how the equilibrium value of an endogenous variable will change when there is a change in any of the exogenous variables.