Compensated Demand Curves

A Footnote

• We talk about consumer surplus as the area under the demand curve.
• In fact, this is only an approximation.
• Technically, we should look at the Hicksian or compensated demand function.

A Formal Definition

\[ X \]

\[ X_0 \]

Widgets
As a practical matter, this difference is quite small. The exception: a good on which we spend a large portion of our income (housing)