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B.A. Economics, Part -01
Paper- 01
Topic – Indifference curve

Indifference Curve Analysis of Demand is an alternative theory of Consumer's Demand.

Two English economist <u>R.G.D Allen and JR Hicks</u> in their well known paper "A Reconsideration of the theory of value "criticized Marshall's cardinal utility approach and gave forward indifference curve(IC) approach based on notion of Ordinal Utility to explain consumer behaviour.

In 1939 Hicks reproduced the Indifference curve theory of consumer's demand in his book "Value and Capital" modifying somewhat the original version.

Indifference curve theory underlines the fact that utility is a psychic entity , it cannot be measured quantitatively, it is mainly based on ordinal notion.

<u>The Ordinal utility thus implies that consumer is capable of simply comparing the different level of satisfaction ,they cannot judge the exact amount of utilities obtained from commodities</u>

The basis of Indifference curve hypothesis is the preference indifference hypothesis, which means that if a consumer is presented with a number of various combination of goods he can order or rank them in " scale of preference".

<u>Indifference Map:</u>

The Indifference Map refers to a set of Indifference Curves that reflects an understanding and gives an entire view of a consumer's choices. It represent's complete description of Consumer's Tastes and preferences.
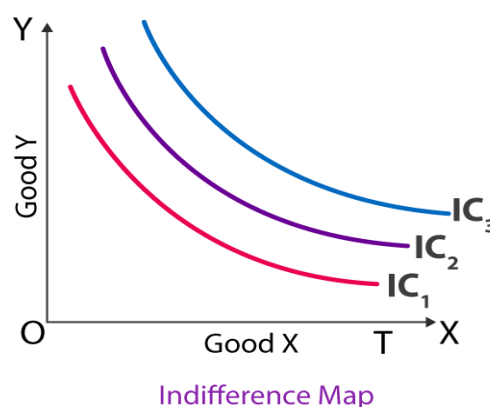
Indifference Map

Indifference Map of a consumer is shown above .

The consumer regards all combinations on the indifference Curve 1 as which gives him equal satisfaction.

Similarly , all the combinations of goods lying on IC Curve 2 provides the same satisfaction but the level of satisfaction on IC2 will be greater than the level of satisfaction on IC1, and similarly the level of satisfaction provided to the customer on IC3 will be greater than that of IC2.
Any Combination of goods on higher IC Curve will be preferred to any combination on lower IC Curve.

Indifference Schedule:

The table below shows an indifference schedule prepared by considering two goods, Good X and Good Y.

Combination	X		Y
1	1	+	18
2	2	+	13
3	3	+	9
4	4	+	6
5	5	+	4
6	6	+	3

If the various combinations of this schedule are plotted on a diagram and are joined by a line this becomes an indifference curve, as I_1 O in the Figure shown below , The indifference curve I_1 is the locus of the points L, M, N, P, Q, and R, showing the combinations of the two goods X and Y between which the consumer is indifferent.

"It is the locus of points representing pairs of quantities between which the individual is indifferent, so it is termed an indifference curve." It is, in fact, an iso-utility curve showing equal satisfaction at all its points.
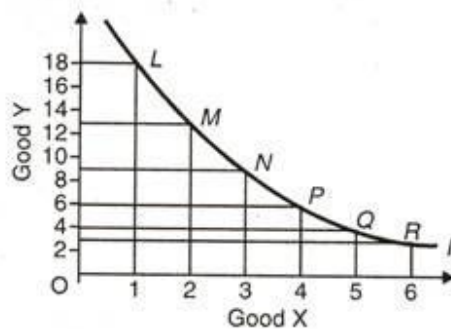

Fig. 12.1

The quantity of Good X is measured on horizontal axis and Quantity of Good Y on vertical axis.