Postulations – The customers' likings do not alter, that the liking with one combination divulges his inclination for that. He chooses combinations with the prescribed price-earnings streak and any variation in relative prices will always escort to some variation in the articles he purchases. He prefers such that he gains more out of less price. His choices are based on strong ordering. There is always customer reliability in his performance. And the theory is based on the hypothesis of transitivity, nevertheless demotes to three term consistency.

Demand Theorem – Rise and Drop in Price

Based on the above postulations, Samuelson states his theorem as demand theorem thus "Any good that is always to increase in demand when money income alone rises must definitely shrink in demand when its price alone rises." It means that when earnings elasticity of demand is positive price elasticity of demand is negative.
Likewise for drop in price, the definition goes like this "Any good that is recognized always to decrease demand when money earnings alone drops must definitely expand in demand when its price alone drops."

Preview from Notesale.co.uk
Page 3 of 8

Derivation of Indifference Curve From Revealed Preference

Let us now discuss work of Samuelson on this topic of constructing indifference curve with mush methodical way.

Postulations

1. There is transitivity in customer's inclinations
2. He prefers combination of more articles to less in any condition
3. His likings have not been changed
4. There is consistency in his market performance
5. There are two commodities R and S. Based on the above hypothesis, customer chooses a specific combination of the two articles for one of the two causes, one of the chosen combinations is favoured to all other combinations or the one which is not chosen lies outside his budget line. **Let us now see the first picture representation.**