

## Classification of goods

Given the following demand function:

$$q_1 = p_1^{2-a} p_2^{-2}$$

With  $a \in \mathbb{R}$ ,

1. Find the partial derivatives and classify the good with respect to good 2.
2. Find the values of  $a$  such that the good is ordinary.

## Solution

1.

$$\frac{\partial q_1}{\partial p_1} = (2 - a)p_1^{1-a}p_2^{-2}$$

$$\frac{\partial q_1}{\partial p_2} = (-2)p_1^{2-a}p_2^{-3}$$

**Goods 1 and 2 are complements since the derivative with respect to  $p_2$  is negative.**

2. For the good to be ordinary, the derivative  $\frac{\partial q_1}{\partial p_1}$  must be negative; that is, it must hold that  $a > 2$ .