

INDIFFERENCE CURVE

• Meaning :-

Hicks and Allen presented 'Indifference curve analysis' as an alternative viewpoint of Marshall's 'Utility Analysis'.

Indifference curve analysis presents an 'ordinal viewpoint' in which the behaviour of consumer is studied on the basis of 'ordinal Preferences'. Ordinal approach suggests that utility can not be measured in terms of units.

It can be only ranked or compared by giving order numbers (i.e., I, II, III, ...)

Indifference curve explains the consumer's behaviour related with the combination of two goods and this consumer's behaviour is explained with the help of 'Indifference schedule' or Indifference set. Various combinations of two goods giving equal satisfaction to the consumer become the component of 'Indifference schedule'.

When indifference schedule is represented on a graph paper, we get indifference curve.

• Definitions of Indifference curve :-

(i) In the words of Watson, "An indifference schedule is the list of combinations of two

commodities, the list being so arranged that a consumer is indifferent to the combinations, preferring none of any other."

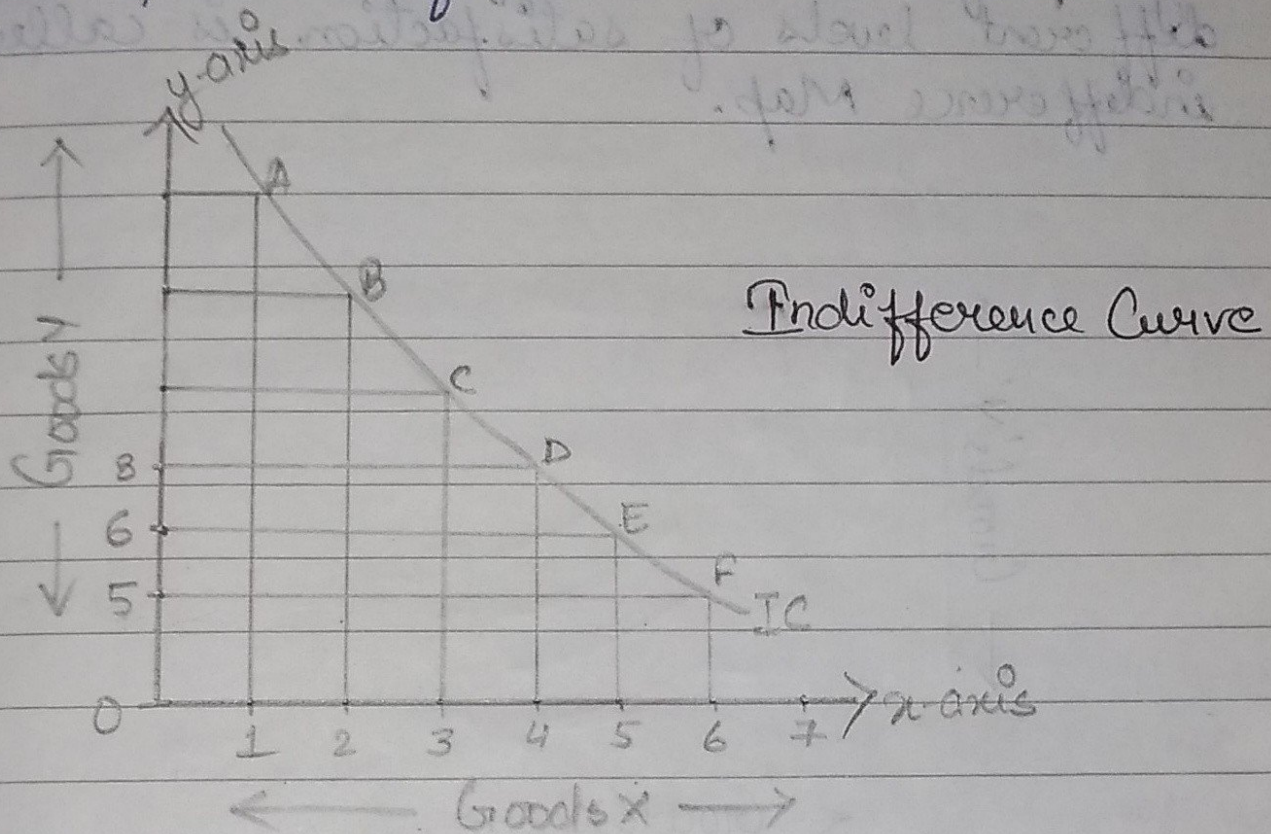
(ii) According to A.L. Meyers, "An indifference schedule may be defined as a schedule of various combinations of two goods that will be equally satisfactory to the individual concerned. If we depict this in the form of a curve, we get an indifference curve."

Thus, in micro-economics theory an indifference curve is a graph showing different bundle of goods between which a consumer is indifferent. That is, at each point on the curve, the consumer has no preference for any bundle over another. One consumer equivalently refers to each point on the indifference curve as rendering the same level of utility (satisfactions) for the consumer.

Indifference Schedule

| Combination | Goods X | Goods Y |
|-------------|---------|---------|
| A | 1 | 20 |
| B | 2 | 15 |
| C | 3 | 11 |
| D | 4 | 8 |
| E | 5 | 6 |
| F | 6 | 5 |

Above table expresses the indifference curve schedule which shows the six combinations of two goods available to the consumer. All combinations A, B, C, D, E or F give the equal satisfaction to the consumer.



We get an indifference curve (as shown in diagram) if this indifference schedule is presented in a graph.

IC is an indifference curve which is the locus of such points of various combinations of two goods which give the equal satisfaction to the consumer.