

## Difference between Utility Analysis and Indifference Curve Analysis

Basis of Difference	Utility Analysis	Indifference Curve Analysis
<b>Independent Commodities</b>	The main defect of this analysis that <b>only independent goods</b> are considered. Substitute goods and complementary goods cannot be studied under this.	This analysis is free from this assumption. It studies <b>all types of goods</b> such as substitute, complementary and unrelated goods.
<b>Measurement of utility</b>	Here, the utility is quantitative and can be measured in <b>cardinal numbers</b> 2,4,6 and 8 etc.	Here, the utility is orderable, not quantitative. Thus, the technique ' <b>ordinal measurement of utility</b> ' is used.
<b>Assumption of Constant Marginal utility of Money</b>	It is <b>based on the assumption</b> that the marginal utility of money is constant.	It is <b>free from this unrealistic assumption</b> of utility analysis as in real life, the marginal utility of money can never be constant.
<b>Price Effect</b>	Due to the assumption of constant marginal utility of money, the price effect <b>cannot be split</b> into the substitution effect and income effect.	In this, the price effect <b>can be split</b> into income and substitution effect defining the extent of both effects separately.
<b>Giffen-Paradox</b>	Utility Analysis <b>fails to explain Giffen paradox</b> which shows the positively sloped demand curve for Giffen goods.	It <b>explains the Giffen paradox</b> extensively by showing the strong negative income effect than the negative substitution effect due to a change in the price of Giffen goods.
<b>Estimation of Welfare</b>	This analysis <b>does not help</b> estimate consumer welfare as well as a change in real income due to a change in price.	It <b>helps in estimating the welfare</b> of consumers due to a change in price by higher or lower indifference curves.
<b>Based on unrealistic Assumptions</b>	It is based on many <b>unrealistic assumptions</b> of utility such as it can be added or subtracted and based on the consumption of that commodity only.	It makes an extensive study of the theory of demand due to based on fewer <b>assumptions</b> .