

Abstract

Let a consumer consume two goods, and let good 1 be a Giffen good. Then a wellknown necessary condition for such behaviour is that good 1 is an inferior good. This paper shows that an additional necessary for such behaviour is that good 1 is a gross substitute for good 2, and that good 2 is a gross complement to good 1 (*strong asymmetric gross substitutability*). It is argued that identifying asymmetric gross substitutability as an additional necessary condition gives better insight into Giffen behaviour, both on an analytical level and an intuitive level. In particular, the paper uses the concept of asymmetric gross substitutability to give a taxonomy of preferences, which includes preferences that are locally characterised by Giffen behaviour, and also uses this concept to introduce new decompositions of the effect of a change in own price on the demand for a good, different from those known in the literature.