

Economics Lecture 2 - Exercise

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Exercise 1

A basic assumption about consumers in microeconomics is that they have preferences over different goods. Explain the concepts “preference”, “preference order” and “indifference curve”

Exercise 2

Assume there are only two goods. Draw an indifference map with three indifference curves

There are standard assumption about what an indifference map can and cannot look like. Which are these assumptions?

Exercise 3

Explain what substitute goods and complementary goods are.

How are their indifference curves?

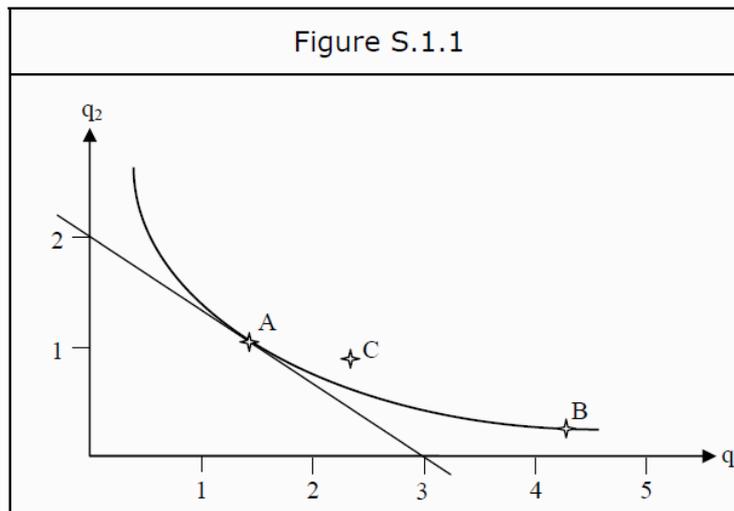
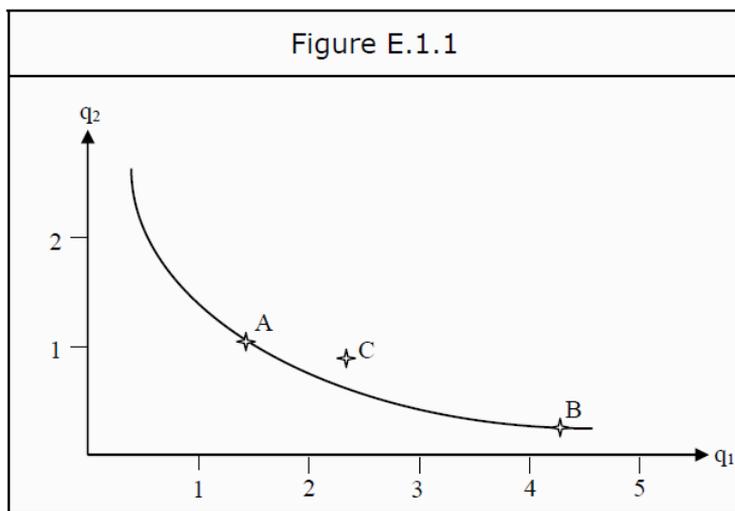
Exercise 4

What is marginal rate of substitution, MRS? State definition and explain the meaning.

Which is influence of MRS on indifference curve shape?
Case of complementary goods and substitute goods?

Exercise 5

Calculate MRS in point A



Point B is preferred to A?
Point B is preferred to C?