Chapter 4

3. In the graph below, Good 1 is a Giffen good. The original consumption bundle is labeled “x.” The final consumption bundle is labeled “y.” The hypothetical Hicks bundle is labeled “z.”

Chapter 5

2. $c (\text{consumption}) = \frac{(wT + M)}{p}$

$L (\text{leisure})$
Chapter 5

4.
c.

Chapter 5

5. One possible savings function in which the consumer switches from being a borrower to a saver at a certain interest rate:

Why must the supply of savings curve be a strictly increasing function of the interest rate for a borrower, but not for a saver? How do we know that, once the savings supply curve crosses the vertical axis, it does not cross it again?