

Intermediate Microeconomics
Fall 2002
Assignment 2

Due Date: Monday, September 23

Be sure to show all of your work and clearly indicate your final response to each question. For exercises from the workbook you can hand in the completed workbook pages or provide the answers on separate sheets of paper. Please be sure that your homework is stapled before handing it in.

1. WIM (Workouts in Intermediate Microeconomics) 3.1
2. WIM 3.4
3. WIM 3.11
4. WIM 4.0
5. WIM 4.1
6. WIM 4.9
7. WIM 4.12
8. WIM 5.2
9. A consumer has a utility function given by $U(x_1, x_2) = \min(x_1, x_2)$. The price of good i is denoted p_i , $i = 1, 2$. Let $p_1 = 1$ and $p_2 = 2$. The consumer's income is given by I (> 0). Derive the function that determines how much x_1 the individual should (optimally) consume as her income I varies, i.e., $x_1^* = f(I)$. Also derive the analogous function $x_2^* = g(I)$. Is it true that $p_1 f(I) + p_2 g(I) = I$? Why or why not?