

Economics 11; Weekly Assignment Sheet for Week 2 -- Consumer Choice; Comparative Statics & Demand

A. Text and workbook

1. Text: Chapters 2 & 3; omit nothing.
2. Study guide: Chapters 2 & 3; omit nothing.
 - a. The answers given in the back of the Study Guide to the following questions are wrong either in whole or in part: p. 14, #6; p. 15, #3; p. 17, #13; p. 19, #20; p. 29, #15,; p. 31, #s 10-12. Additionally, re: p. 31, #7 -- your instructor strongly prefers that one graph the Engel curve with income on the horizontal axis.

B. Reading(s)

1. Consider the following possible reactions to the Stigler & Becker article. Do you agree with either, or perhaps both, of these statements? Why?
 1. It is a cute, but greatly overdone, exercise in intellectual imperialism of the kind all too frequently practiced by economists.
 2. It is a masterful demonstration of the power of economic reasoning when applied to explain human behavior.

C. Puzzles

1. A rich woman and a poor woman both consume Snapple and granola bars which they purchase at the same places, respectively:
 - a. In what sense is the value of juice the same for both women?
 - b. In what sense is its value not necessarily the same for both women?
 - c. Now suppose instead that the rich woman consumes Fresh Samantha rather than Snapple: Does the answer to the first of the preceding questions change and, if so, why? (Assume that Fresh Samantha is more expensive than Snapple and is of higher quality.)
2. A shopper is observed repeatedly buying commodities A and B on trips to the supermarket, even though the prices of A and B changed widely from time to time. Demonstrate from this evidence alone that the shopper's indifference curves for the two commodities are convex (bowed in toward the origin). [Ignore possibilities such as quantity discounts on the purchase of A or B.]