Wilf Csaplar Jr.   Economics 280   Homework #4   Due Friday 02/16

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points.

For this material, it will be helpful if you use colored pens or pencils to clarify your graphs.

1) (20 points) What is the slope of the indifference curve? Prove it.

2) (15 points) What is the equi-marginal principle? What is the economic reason it is true?

3) (30 points) Draw an indifference curve/budget constraint diagram for televisions and computers. Illustrate an increase in your income assuming that televisions are inferior goods. Explain why the curve(s) moved as drawn and explain how you know that your diagram shows the televisions are inferior goods.

4) (35 points) Draw an indifference curve/budget constraint diagram for corn and bananas. Illustrate an increase in the price of bananas. Explain why the curve(s) moved as drawn. ~~Show the income and substitution effects. Explain how you knew which was which~~. Given your graph, are corn and bananas substitutes or complements? Explain your logic.