

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

- 1) (15 points) Explain why indifference curves slope down and are convex with respect to the origin.
- 2) (35 points) Computers and printers are complements. Illustrate on the isocost/indifference curve diagram an increase in the price of computers. Show the income and substitution effects on the diagram. Explain 1) why the line(s) moved as drawn, 2) how your diagram shows they are complements, and 3) how you found the income and substitution effects.
- 3) (35 points) Use an isocost/indifference curve diagram to derive three points on the demand curve for bananas. Explain how you got the points on the demand curve and why the other curve(s) moved as drawn.
- 4) (15 points) If we draw the isocost/indifference curve diagram with pears on the vertical axis and onions on the horizontal axis, then the slope of the indifference curve will be what? Explain your logic.