

**Homework #4** (due Tuesday)

- 1a.) Pick two points on the steep portion of an indifference curve and two points from the flat portion. Identify the tradeoffs between each set of points. Explain this using the concepts of marginal utility and the slope of the utility curve at different points.
  - b.) Draw a relatively flat and a relatively steep indifference curve on the same graph. Explain why an indifference curve would be relatively flat or steep.
  - c.) Draw and explain the slope and curvature of a *single* indifference curve for two products—one, an economic good, and the other, an economic bad. Now draw and explain  $U' > U$  for the same combination.
  - d.) Referring back to a typical indifference curve, explain and illustrate how the consumption of an economic good can become an economic bad for that person—“too much of a good thing”.
- 2.) B&Z's question 3.7—with smog and garbage on the same graph. Make sure to explain the slope and curvature of UB and to denote  $U' > U$ .
  - 3.) B&Z's question 3.9.