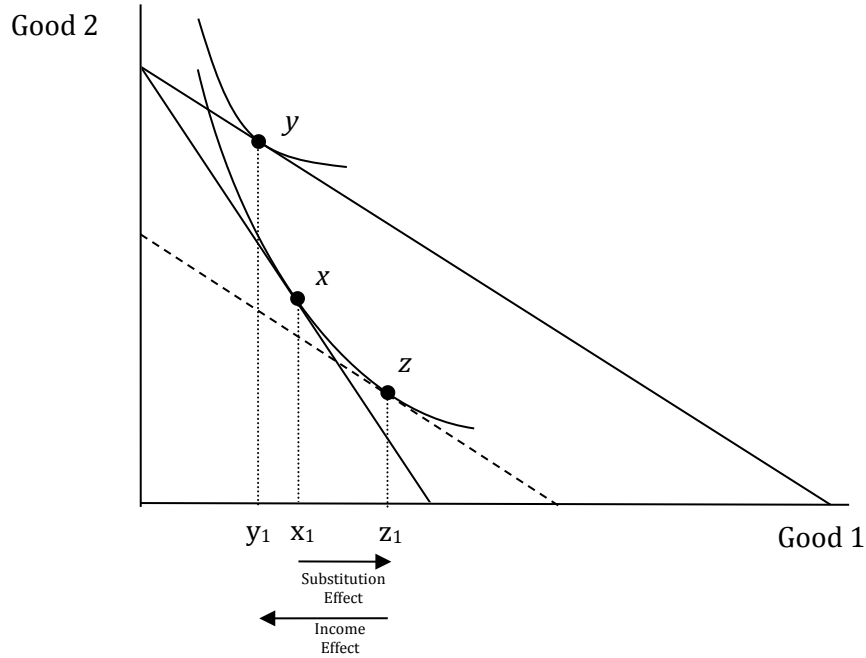


Solutions: Graphs

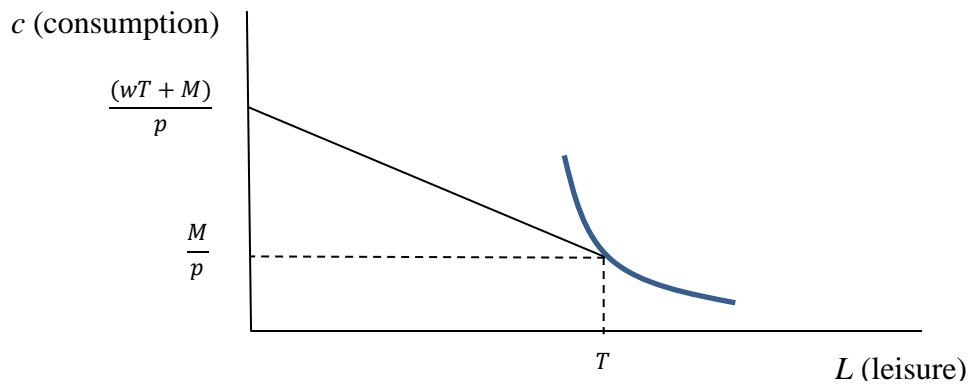
Chapter 4

3. In the graph below, Good 1 is a Giffen good. The original consumption bundle is labeled “x.” The final consumption bundle is labeled “y.” The hypothetical Hicks bundle is labeled “z.”



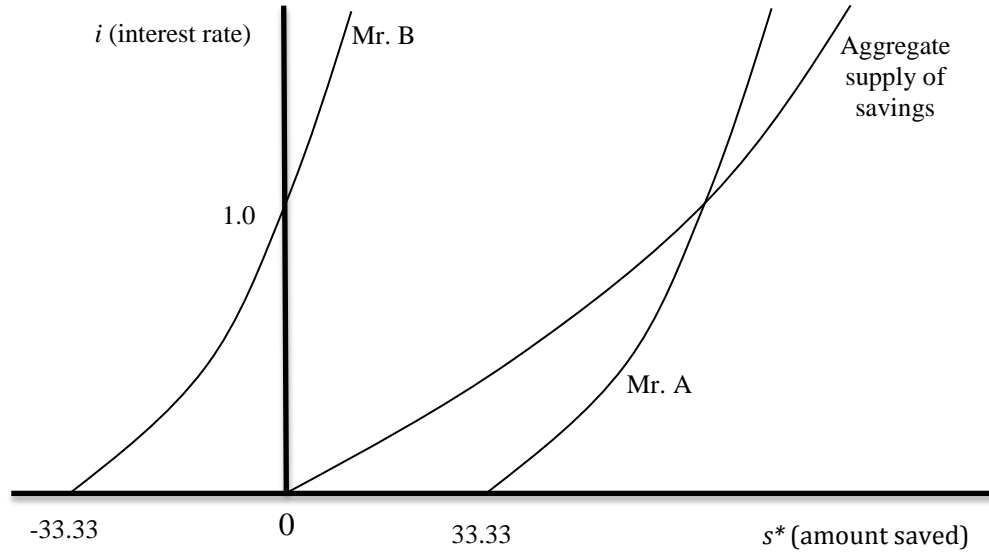
Chapter 5

- 2.



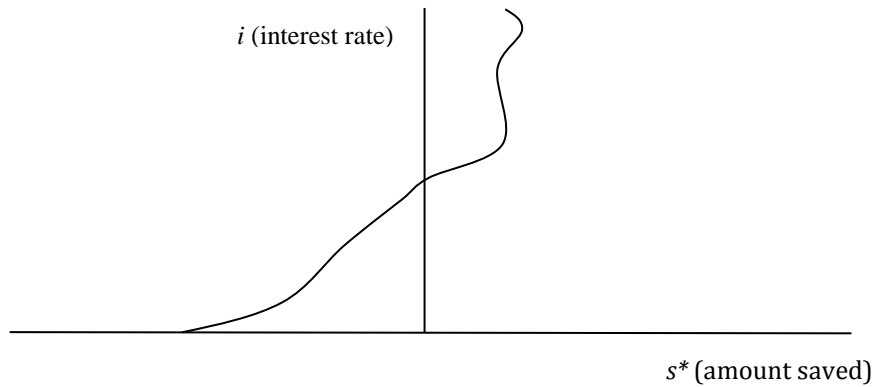
Chapter 5

- 4.
- c.



Chapter 5

- 5. One possible savings function in which the consumer switches from being a borrower to a saver at a certain interest rate:



Why must the supply of savings curve be a strictly increasing function of the interest rate for a borrower, but not for a saver? How do we know that, once the savings supply curve crosses the vertical axis, it does not cross it again?