Homework #1

BUDGET1

A budget for the consumption of pork & fish is:

				Pork	Fish
Budget		$50			
Price Fish	$/lbs	$2.5	then	0	20.00
Price Pork	$/lbs	$4.5	then	11.11	0

Indiff #1

Pork	Fish
23	1
13	3
11	4
7	8
5	12
2	20

Indifference Curve & Budget 1
Given
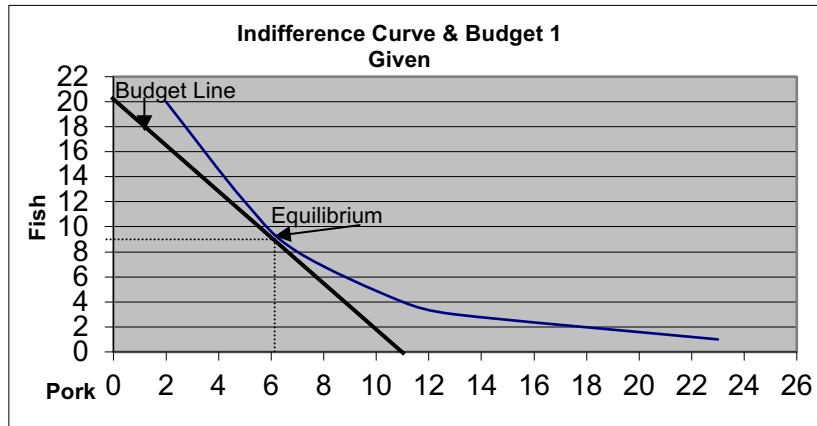
As a result, let's   call it 9 lbs of fish, which totals $22.50 in cost for fish. That leaves $27.50 to then buy pork, which should be 6.11 lbs ($27.50 / $4.50 price of pork), which also looks correct on the graph above for Eq. buy. So, much less pork since the price is higher.
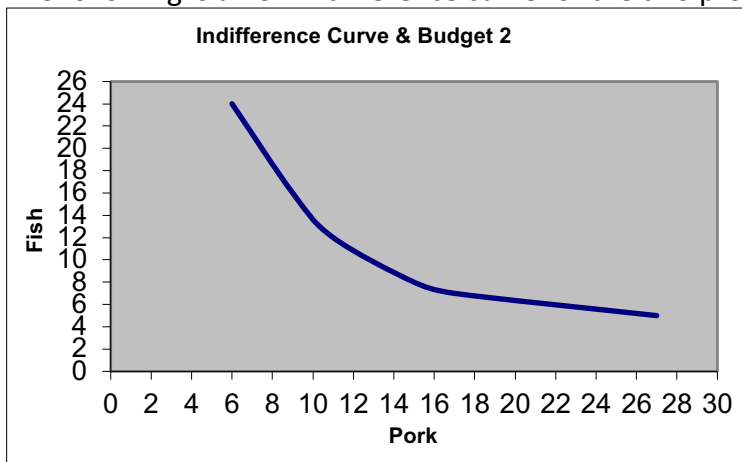
Your work now:

We have a new budget, which then creates a new potential buy.

BUDGET 2

				Pork	Fish
Budget		$50			
Price Fish	$/lbs	$2.5	then		
Price Pork	$/lbs	$2.0	then		

The following is a new indifference curve for the two products that aligns to these new prices.

Indifference Curve & Budget 2

1. Develop a new budget line 2 (new budget 2) and show on the above graph
2. Show the new equilibrium value and determine the quantities needed of each product (show on graph)
3. On the next page, develop a demand curve for pork showing the value at the 2 prices ($4.50 and $2.00)

Demand Curve illustration here: