NTU SSS Economics HE1001
Tutorial 2 (Week 3): Consumption

1. Draw an indifference curve to illustrate the satisfaction associated with the consumption of two products in each scenario below. Explain the assumptions you have made and the economic significance of each graph.
    a. Left shoes and right shoes
    b. Coke and Pepsi

2. Draw indifference curves that represent the following individuals' preferences for hamburgers and soft drinks. Indicate the direction in which the individuals' satisfaction (or utility) is increasing.

    a. Jane loves hamburgers and refuses to consume soft drinks. If she is served a soft drink, she will pour it down the drain rather than drink it.
    b. Bob loves hamburgers and dislikes soft drinks. If he is served a soft drink, he will drink it to be polite.
    c. Molly loves hamburgers and soft drinks, but insists on consuming exactly one soft drink for every two hamburgers that she eats.
    d. Bill likes hamburgers, but neither likes nor dislikes soft drinks.
    e. Mary always gets twice as much satisfaction from an extra hamburger as she does from an extra soft drink.

3. If Jane is currently willing to trade 4 movie tickets for 1 basketball ticket, then she must like basketball better than movies. True or false? Explain.

4. Suppose that Bridget and Erin spend their incomes on two goods, food (*F*) and clothing (*C*). Bridget's preferences are represented by the utility function $U(F,C) = 10FC$, while Erin's preferences are represented by the utility function $U(F,C) = 0.20F^2C^2$.
    a. With food on the horizontal axis and clothing on the vertical axis, identify on a graph the set of points that give Bridget the same level of utility as the bundle (10,5). Do the same for Erin on a separate graph.
    b. On the same two graphs, identify the set of bundles that give Bridget and Erin the same level of utility as the bundle (15,8).
    c. Do you think Bridget and Erin have the same preferences or different preferences? Explain.