Summary / Recipe for Calculating the Consumer's Optimum

1) **utility** / preferences of the consumer

a) Find the total differential of the utility function U

b) Use the fact that along an an indifference curve dU = 0!

c) Derive the **slope** of the **indifference curve(s)** $dx_B / dx_A = ...$

2) **budget constraint** of the consumer

Identify the **slope** of the **budget line**

3) Set both slopes equal.

4) Use this result in the budget constraint! (It is a relationship between x_A and x_B.)

=> O P T I M U M

= optimal combination of x_A and x_B