

Consumer Behavior

EC 311 - Intermediate Microeconomics

2025

Chapter 4

Outline

- Topics
 - Preferences and Utility (4.1)
 - Indifference Curves (4.2)
 - Budget Constraints (4.3)
- Other Stuff
 - Remember Office Hours on **Monday 10-11, Wednesday 1-2 in Tykeson 3rd floor**
 - Also feel free to email me your questions at **dyasui@uoregon.edu**

Preferences and Utility

Foundations of Rational Choice

Before we get into the math behind utility functions, let's motivate what we want our economic models to do.

- Generate *testable* predictions which can be adapted to a wide range of applications
- Have a *shared vocabulary* to help us have productive conversations about what really matters
- Help us understand the world around us, not try to shape the data to meet our preconceptions

Preferences

Preferences describe the subjective ranking that we put on different alternatives.

For example, my preference ranking of Eugene boba stores could go:

1. **Tea 4**
2. **Bobahead**
3. **Day & Night**
4. **No boba**
5. **Rabbit Hole**

What do you notice about the way I represented my preferences here?

- This ranking is **ordinal**; I didn't say how *much* more I like each thing, only which I like *better*
- The ranking includes an *outside option*: No boba
- Is it complete? Is there any place I'm missing?