Summary

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1 Chapter 1

1. Economics proceeds by making models of social phenomena, which are simplified representations of reality.

   Tran. :

2. In this task,economists are guided by the optimization principle, which states that people typically try to choose what's best for them, and by the equilibrium princile, which says that prices will adjust demand and supply are equal.

   Tran. :

3. The demand curve measuress how much people wish to demand at each price, and the supply curve measures how much people wish to

supply at each price. An equilibrium price is one where the amount demanded equals the amount suppied.

Tran. :

4. The study of how the equilibrium price and quantity change when the underlyin conditions change is known as comparative statics.

   Tran. :

5. The economic situation is Pareto efficient if there is no way to make some group of people better off without making some other group of people worse off.The concept of Pareto efficient can be used to evaluate different ways of allocating resources.

   Tran. :

2 Chapter 2

1. The budget set consists of all bundles of goods that the consumer can afford at given prices and income. We will typically assume that there are only two goods, but this assumption is more general than is seems.

   Tran. :image

2. The budget line is written as $p_1x_1 + p_2x_2 = m$. It has slope of $-p_1/p_2$, a vertical intercept of m/p_2, and a horizontal intercept of m/p_1.

   Tran. :$p_1x_1 + p_2x_2 = m$. $-p_1/p_2$, m/p_2, m/p_1

3. Increasing incomes shift the budget line outward. Increasing the price of good 1 makes the budget line steeper. Increasing the price of good 2 makes the budget line flatter.

   Tran. :12

4. Taxes, subsidies, and rationing change the slope and position of the budget line by changing the prices paid by the consumer.

   Tran. :

3 Chapter 3

1. Economists assume that a consumer can rank various consumptions possibilities. The way in which the consumer ranks the consumption bundles describe the consumer's preferences.

Tran. :

2. Indifference curves can be used to depict different kinds of preferences.

   Tran. :

3. Well-behaved preferences are monotonic(meaning more is better) and convex(meaning averages are preferred to extremes).

   Tran. :

4. The marginal rate of substitution(MRS) measures the slope of the indifference curve. This can be interpreted as how much the consumer is willing to give up of good 2 to acquire more of good 1.

   Tran. :1,2$MRS_{12} = \Delta x_2/\Delta x_1$

4 Chapter 4

1. A utility funciton is simply a way to represnt or summarize a preference ordering. The numerical magnitudes of utility levels have no intrinsic meaning.

   Tran. :

2. Thus, given any one utility function, any monotonic transformation of it will represent the same preferences.

   Tran. :

3. The marginal rate of substitution, MRS, can be calculated from the utility function via the formula $MRS = \Delta x_2/\Delta x_1 = -MU_1/MU_2$.

   Tran. :$MRS = \Delta x_2/\Delta x_1 = -MU_1/MU_2$

5 Chapter 5

1. The optimal choice of the consumer is that bundle in the consumer's budget set that lies on the highest indifferences curve.

   Tran. :

2. Typically the optimal bundle will be characterized by the condition that the slope of the indifference curve(The MARS) will equal the slope of the budget line.

   Tran. : MRS

3. If we observe several consumption choices it may be possible to estimate a utility function that would generate that sort of choice behavior.Such a utility function can be used to predict future choices and to estimate the utility to consumers of new econimicspolicies.

   Tran. :

4. If everyone faces the same prices for the two goods, then everyone will have the same marginal rate of substitution, and will thus be willing to trade off the two goods in the same way.

   Tran. :

6 Chapter 6

1. The consumer's demand function for a good will in general depend on the prices of all goods and income.

   Tran. :

2. A normal good is one for which the demand increases when income increases. An inferior good is one for which the demand decreases when income increases.

   Tran. :

3. An ordinary good is one for which the demand decreases when its price increases. A Giffen good is one for which the demand increases when its price increases.

   Tran. :

4. If the demand for good 1 increases when the price of good 2 increases, then good 1 is a substitute for good 2. If the demand for good 1 decreases in this situation, then it is a complement for good 2.

   Tran. :2112112

5. The inverse demand function measures the price ath which a given quantity will be demanded. The height of the demand curve at a given level of consumption measures the marginal willinggness to pay for an additional unit of the good at that consumption level.

   Tran. :

7 Chapter 7

1. If one bundle is chosen when another could have been chosen, we say that the first bundle is revealed prefered to the second.

   Tran. :YXXYXY

2. If the consumer is always choosing the most preferred bundles he or she can afford, this means that the chosen bundles musht be preferred to the bundles that were affortable but weren't chosen.

   Tran. :

3. Observing the choices of consumers can allow us to "recover" or estimate the preferences that lie behind those choices. The more choices we observe, the more precisely we can estimate the underlying preferences that generated those choices.

   Tran. :""