

Econ 101 | Demo F3

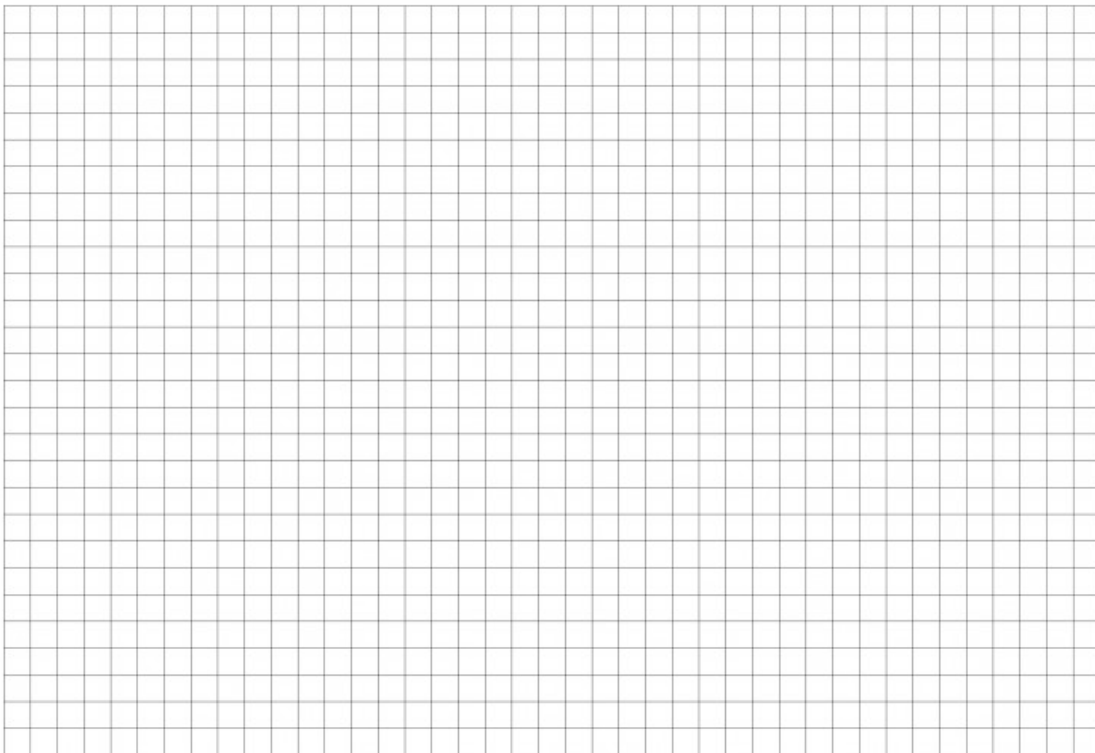
Demo F3 is adapted from homework assigned in a previous semester.

Alternate Luna's Problem

Luna works in the delivery industry and has 100 galleons to spend on pumpkin pasties which cost 2 galleons and chocolate frogs which cost 4 galleons (both normal goods).

Q1 | Budget Constraint

Start by drawing Luna's budget constraint.



Q2 | Indifference

Add to the budget constraint graph from Q1 by drawing the highest indifference curve Luna can achieve. Be sure to label the solution to her Consumer's Problem.

Q3 | A Blighted Budget

Surprisingly an unusual fungus blight in Columbia causes the price of chocolate frogs to double right before the winter holiday season. On the graph from Q1, draw the effect of the blight on Luna's budget constraint and optimal consumption bundle. Assume the substitution effect outweighs the income effect for pumpkin pasties.

Q4 | Holiday Delivery Surge

The holiday season saw an increase in demand for deliveries (her chosen career). Use a graph to show what happened to Luna's optimal consumption bundle in response to the surge during the holiday season.

