

DISCUSSION QUESTION

Name:

Instructor:

Course:

Indifference means we do not have a preference choosing between one choice and another; therefore, consumers would derive equal satisfaction from either choice. What is an indifference curve and why do we study it?

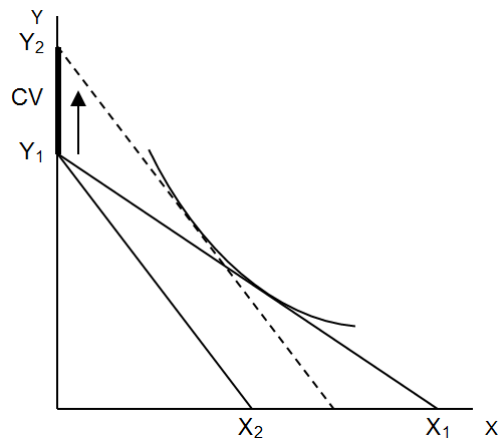
PEER GROUP PROBLEM SOLVING

Name:

Instructor:

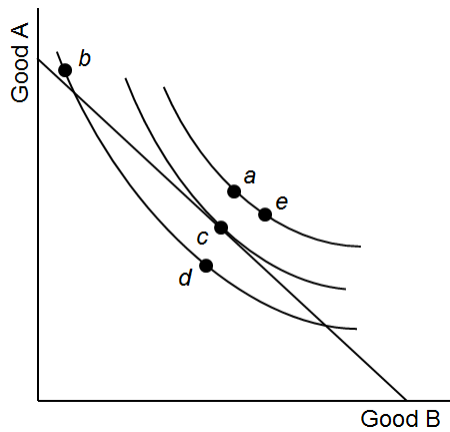
Course:

Based on the diagram, explain the shift of the X curve and the implications of this shift.



IN-CLASS EXPERIMENT / ACTIVE EXERCISE

What is the optimal consumer choice (as in, what is the best a consumer can do)?



SOLUTIONS AND INSTRUCTOR NOTES

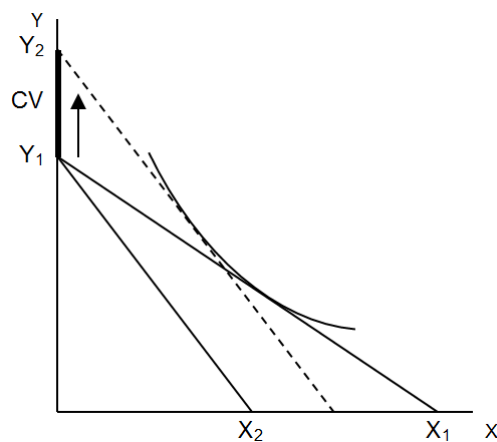
Discussion Question

Indifference means we do not have a preference choosing between one choice and another; therefore, consumers would derive equal satisfaction from either choice. What is an indifference curve and why do we study it?

An indifference curve shows the combinations of two goods where the consumer would get the same level of satisfaction. However, at each combination, there is an opportunity cost. Consumers must give up an amount of one good in order to gain an amount of the other good.

Peer Group Problem Solving

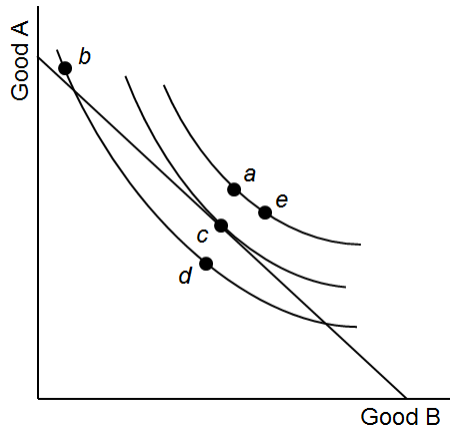
Based on the diagram, explain the shift of the X curve and the implications of this shift.



The price of X increased causing the budget line to pivot from X_1 to X_2 . The substitution effect would result in a new budget line shown as the dotted line.

In-Class Experiment / Active Exercise

What is the optimal consumer choice (as in, what is the best a consumer can do)?



Point b is the optimal point as it is the highest indifference curve that can be reached with the budget line shown.

For more in-class experiment and active learning ideas, visit www.econedactive.com.