Q9. Suppose a consumer wants to consume two goods which are available only in integer units. The two goods are equally priced at ₹ 10 and the consumer's income is ₹ 40.

(i) Write down all the bundles that are available to the consumer.

(ii) Among the bundles that are available to the consumer, identify those which cost her exactly ₹ 40.

Ans. Let $P_X = P_Y = ₹ 10$

Money Income = ₹ 40

(i) Bundles available to consumer are:

(0, 0), (0, 1), (0, 2), (0, 3), (0, 4), (1, 0), (1, 1), (1, 2), (1, 3), (2, 0), (2,1), (2, 2), (3,0) (3, 1) and (4, 0).

(ii) (0, 4), (1, 3), (2, 2), (3, 1) and (4, 0) cost exactly ₹ 40. All other bundles cost less than ₹ 40.

Q10. What do you mean by 'monotonic preferences'?

Ans. Monotonic preferences:

A consumer's preferences are monotonic if and only if between any two bundles, the consumer prefers the bundle which has more of at least one of the goods and no less of the other good as compared to the other bundles.

Q11. If a consumer has monotonic preferences, can she be indifferent between the bundles (10, 8) and (8, 6)?

Ans. No, if a consumer has monotonic preferences then bundle (10, 8) is preferred to bundle (8, 6) as bundle (10, 8) has more of both goods.

Q12. Suppose a consumer's preferences are monotonic. What can you say about her preference ranking over the bundles (10, 10), (10, 9) and (9, 9)?

Ans. If a consumer has monotonic preferences then:

(a) Bundle (10, 10) is monotonically preferred to bundle (10, 9) and bundle (9, 9).

(b) Bundle (10, 9) is monotonically preferred to bundle (9, 9).

Q13. Suppose your friend is indifferent to the bundles (5, 6) and (6, 6). Are the preferences of your friend monotonic?

Ans. No, the preferences of my friend are not monotonic since bundle (6, 6) should be monotonically preferred to bundle (5, 6).

Q14, Q15– *Not in Course*

Q16. Consider a market where there are just two consumers and suppose their demands for the good are given as follows. Calculate the market demand for the good.

P	d_1	d_2
1	9	24
2	8	20
3	7	18
4	6	16
5	5	14
6	4	12

Ans.

P	d_1	d_2	Market demand = $d_1 + d_2$
1	9	24	33
2	8	20	28
3	7	18	25
4	6	16	22
5	5	14	19
6	4	12	16