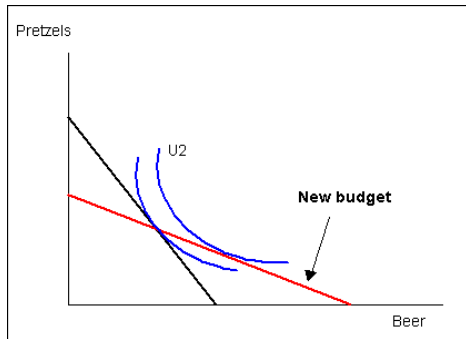
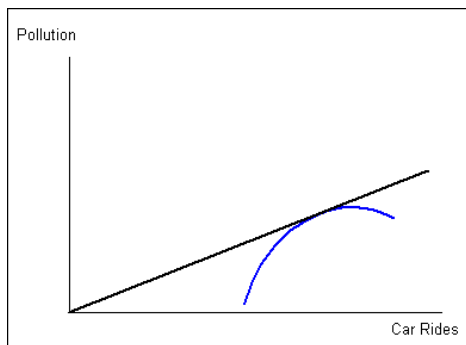


Sample Exam 2 Answers
Econ 349

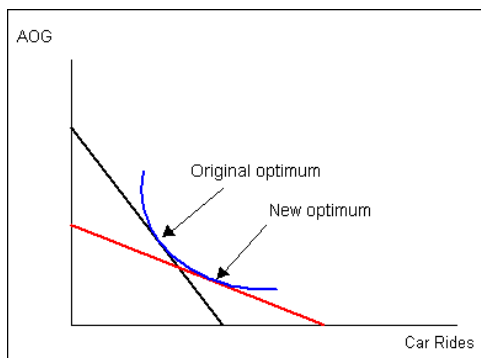
1. Perhaps the price of having children had increased over the time frame in question. A higher relative price would cause potential parents to substitute away from having children towards other consumption activities.
2. I must be happier with the changes in relative prices. I am able to relocate to U_2 on the red budget line and be better off than at the lower indifference curve along the black budget line.



3. The slope of the (black) budget line is $1/10$. If the general shape of my indifference curves was such that the MRS was a lot lower (such that I would only accept 1 unit of pollution for every 20 miles I ride), then I might not want to drive at all, in which case I would end up at a corner solution (at the origin).



4. I am driving more under the red budget line than under the black budget line.



5. We did this one in class.
6. I'll leave this one for you to ponder.