Homework

DUE DATE: 28 OCTOBER

1. Assume that an individual solves:

s.t.

Write for the solution to this problem. Use the IFT theorem to compute

1. A consumer ssolves

s.t.

Write for the solution to this problem. Use the IFT Theorem and the Cramer’s rule to compute

**IMPORTANT:** Directly solving the problems and computing derivatives are not accepted as solution methods. You must use the IFT and the Cramer’s rule. The direct method can, of course, be used to check your answers.

1. Assume that an individual solves

s.t.

by choosing the level of consumption and the working hours .

1. What is the wage elasticity of labor supply?
2. What is the Frisch wage elasticity of labor supply?
3. Assume that
4. Find the Marshallian demand, which means solving

s.t.

1. Write for the solution to this problem. Compute
2. Interpret your result in part (b).