

Group Exercise #1

Name:

1) On a single graph, draw the following two budget constraints. Assume an individual has 16 hours of discretionary time a day. Label all relevant points and slopes.

a) A person has zero non-wage income and a wage of \$8 an hour

b) A person has \$30 of non-wage income and a wage of \$10 an hour

2) Suppose an individual's indifference curves between consumption and leisure are concave to the origin. How many hours will the person work? Can you give an intuitive explanation for this result?