

MICRO UNIT IV – Lesson #1 NOTE GUIDE:

As you read the assigned notes and handouts, draw particular attention to the following concepts by answering the questions below.

. **Consumer Choice**

- Utility
 1. What is the difference between total utility and marginal utility?
 2. How do TU and MU change as consumption of a good rises?
 3. What is the rule for maximizing TU? Why does this rule work?

- The Budget Line
 1. How is the budget line constructed from knowing the budget and the prices of the goods?
 2. How do points inside, on, and outside the budget line compare in terms of affordability?
 3. How does the budget line change when (1) prices change, (2) the budget changes?