

7 Consumer choice and efficiency – Part 2 —Answers

Answers

Work through these after trying the questions yourself.

7.6 Combinations of two goods that give the same total utility.

7.7 The combinations the consumer can just afford with their income.

7.8 Where the budget line just touches the highest reachable indifference curve.

7.9 Making goods at the lowest possible cost.

7.10 Making the goods people most want.

7.11 It is *productively* efficient (it makes the goods at the lowest possible cost) but *not allocatively* efficient (it is making goods people do not want, rather than the goods they most want). So it is productively efficient only.