

Fall/Automne 2007

ECO 6122/6522: Microeconomic Theory IV/Théorie microéconomique IV

Economics Department/Département de science économique

University of Ottawa/Université d'Ottawa

Exercises/Exercices

Chapter 2/Chapitre 2

End-of-chapter exercises in Varian: 1,2,3,7

Exercices de fin de chapitre de Varian.

Plus the following:

(*From MWG 5.C.12*) We have seen in chapter 1 that a decreasing returns technology with n inputs can be represented as being derived from a constant returns technology with $n + 1$ inputs, for which the $n + 1$ th input, referred to as input z , is fixed at $z = 1$. Show that if vector (y, \mathbf{x}) is profit maximizing at prices (p, \mathbf{w}) , then $(y, \mathbf{x}, 1)$ is profit maximizing at $(p, \mathbf{w}, \pi(p, \mathbf{w}))$, that is, profits emerge as the price of the implicit fixed input.