

IK239114 Midterm 2007 REVIEW QUESTIONS

- (1) Define what we mean by a homogeneous function. How does the degree of homogeneity relate to scale economies?
- (2) Explain the Slutsky decomposition.
- (3) Derive the optimum quantities for a CES production function. Explicitly derive the substitution elasticity.
- (4) Explain the envelope theorem. How does it related to firm input demand and consumer demand?
- (5) What are the properties of the expenditure function?
- (6) What are the properties of the indirect utility function?
- (7) What is Shephard's lemma, Hotelling's lemma, and Hicksian demand?