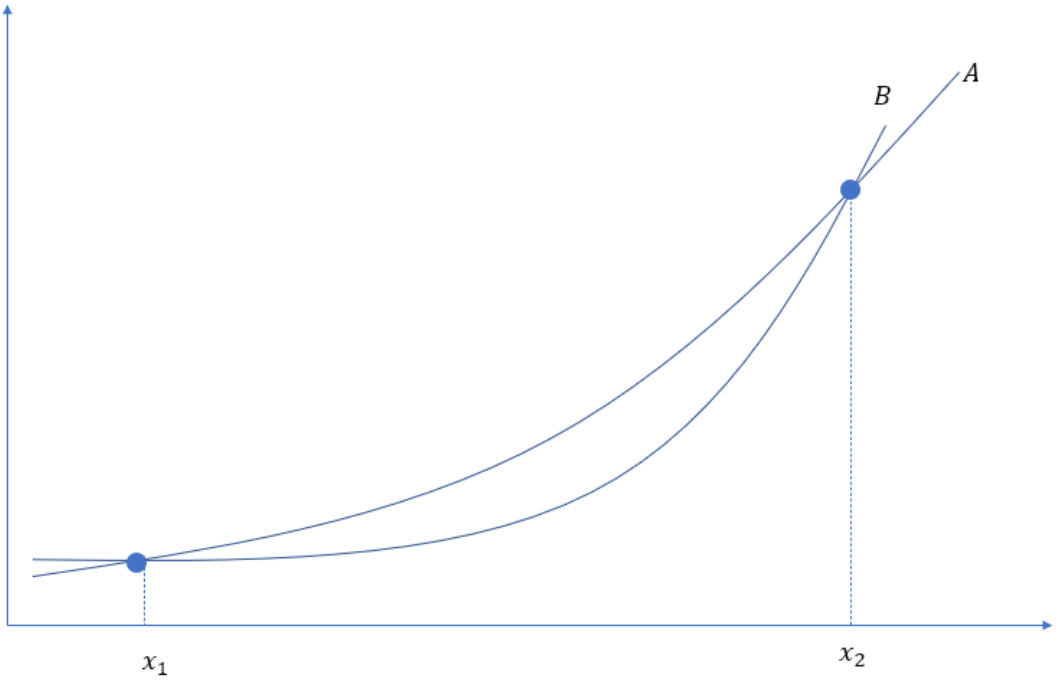
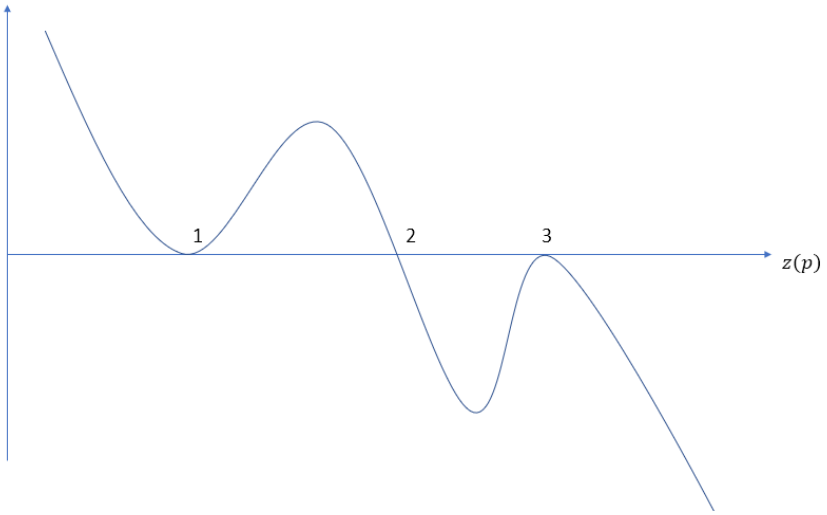
Microeconomics

1. Say which of 2 utility functions is more risk averse. Illustrate your answer on the graph in two ways when you assume a lottery over (x1, x2) with probabilities (⅓,⅔) ((i) using a 'sure price', (ii) using the certain equivalent and risk premium) and briefly explain your drawing.



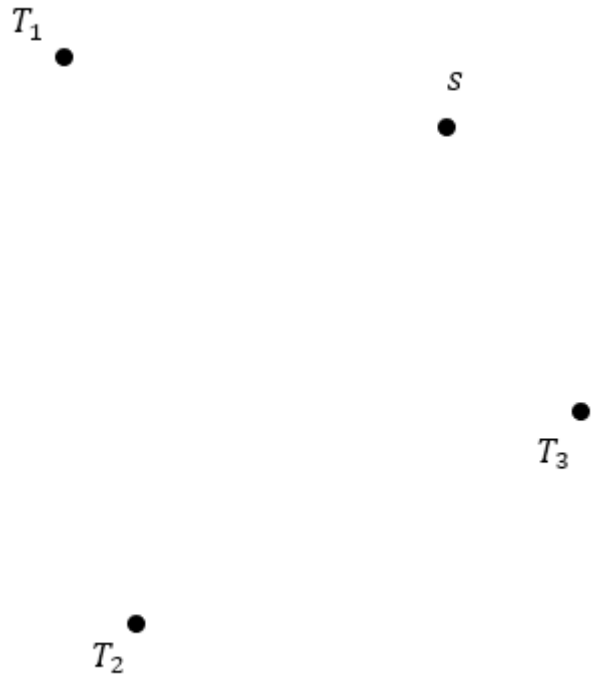
   a. (i) …
   b. (i) …

2.
   a. Name and define the 3 types of stability
   b. What is the assumption we make about out-of-equilibrium behavior of $z(p)$?
   c. Indicate this with arrows on the graph for this (non-generic) function z.



d. Apply the types of equilibrium to the three equilibriums on the graph

3. Indicate all points that can beat *s* under a) majority rule, b) unanimity rule and c) draw an 'agenda' of s, s', s'' such that T1, the agenda-setter, can reach its top at s''.



1.