Due date: To be collected at the beginning of class on Tuesday, October 6.

Note: The usual policy on cheating and plagiarism applies for this exercise.

1. Do problem 2, Chapter 8, on page 306. (Same problem in 2/e).
   a. For the case where the consumer is initially a borrower, show in the diagram the case where the positive income effect from an increase in future income is greater than the negative income effort of an increase in $r$.

2. Do problem 5, chapter 8, on page 307 (I am not sure which problem it is in 2/e, please check).