Objectives for Chapter 5  

**Budget Constraint**
1. Draw the budget constraint given price and income data.
2. Explain the meaning of the budget constraint.

**Utility**
3. Distinguish between total utility and marginal utility.
4. Calculate total utility given marginal utility.
5. Calculate marginal utility given total utility.
6. State the law of diminishing marginal utility.
7. State the utility-maximizing rule in words and mathematically.
8. Analyze how the consumer would respond to disequilibrium situations.
9. Explain why the concept of utility is useful in demand analysis.

**Income / Substitution Effect**
10. Distinguish between the income effect and the substitution effect.
11. Explain the role of income and substitution effect in the theory of household behavior.