

The top graph shows the optimal consumption bundle (C1, C2) as a function of the interest rate (r). The vertical axis represents the interest rate (r) and the horizontal axis represents the optimal consumption bundle (C1, C2). The graph shows a series of indifference curves (blue lines) and a budget constraint (red line). The optimal bundle (C1, C2) is the point where the budget constraint is tangent to an indifference curve. As the interest rate (r) increases, the optimal bundle (C1, C2) moves along the budget constraint towards higher values of C1 and C2.

The bottom graph shows the optimal consumption bundle (C1, C2) as a function of the interest rate (r) for a consumer with a budget constraint. The vertical axis represents the interest rate (r) and the horizontal axis represents the optimal consumption bundle (C1, C2). The graph shows a series of indifference curves (blue lines) and a budget constraint (red line). The optimal bundle (C1, C2) is the point where the budget constraint is tangent to an indifference curve. As the interest rate (r) increases, the optimal bundle (C1, C2) moves along the budget constraint towards higher values of C1 and C2.

