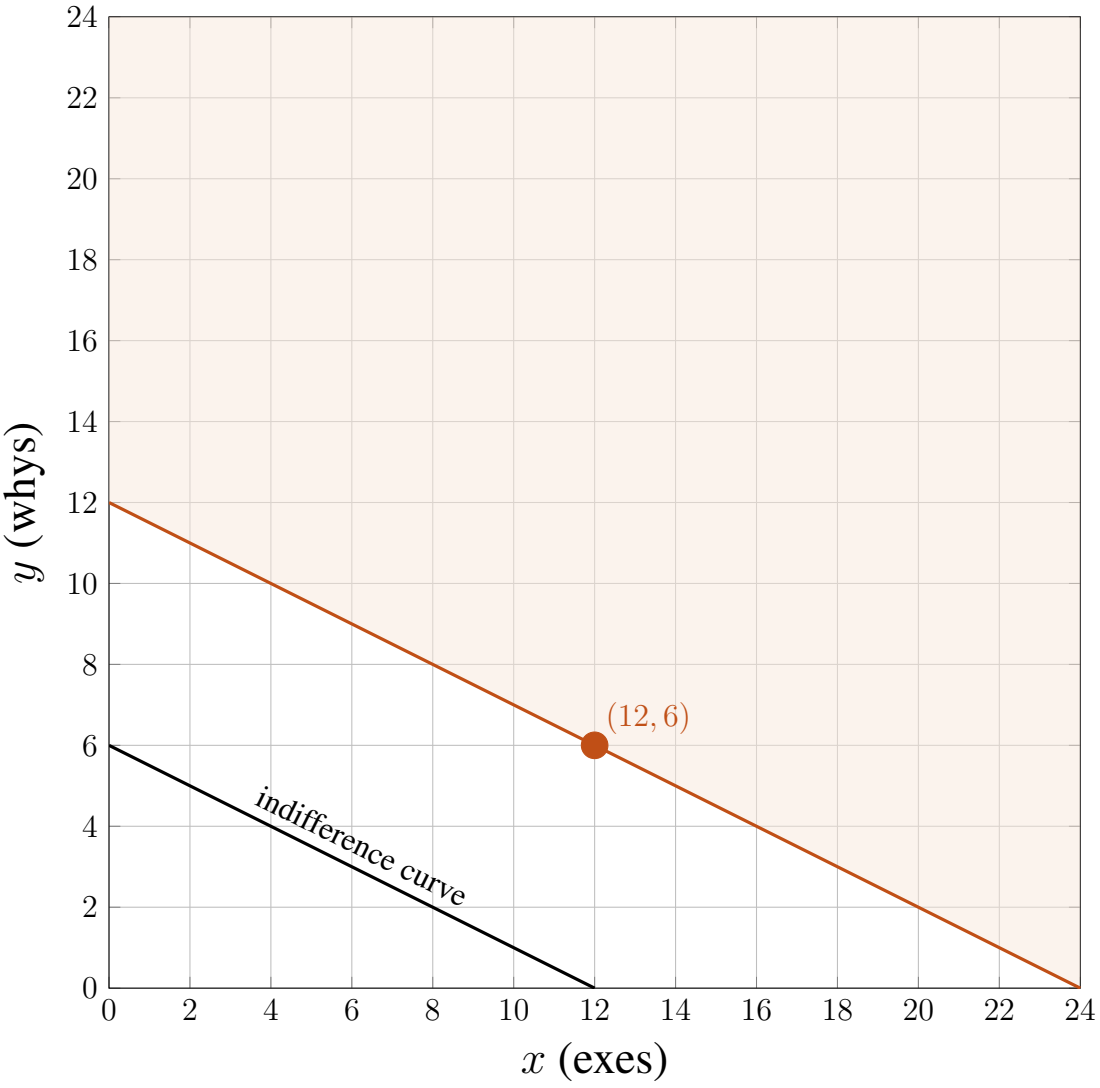
Quiz 2 - SOLUTION

Attila likes both *exes* and *whys*. He consumes nothing else, and he prefers more to less from both goods. Attila's preferences are represented with an indifference curve (actually a line) in the graph below.



- Mark the correct answer!

  If the indifference curve above represents Attila's preferences accurately, we can conclude that Attila believes that *exes* and *whys* are

  - ☐ perfect complements.
  - ☑ perfect substitutes.
  - ☐ substitutable without being perfect substitutes.
  - ☐ "goods" until he consumes at least 12 units of *exes* or 6 units of *whys*, and then they are "bads".

- In the graph above, draw an indifference curve – representing Attila's preferences – through the bundle that has 12 *exes* and 6 *whys*. Do not forget to mark the points where the indifference curve intersects the axes.

- In the graph above, shade in the area representing the *exes*-*whys* combinations that Attila weakly prefers to the bundle with 12 *exes* and 6 *whys*.

- Is the set of bundles that Attila weakly prefers to the bundle with 12 *exes* and 6 *whys* convex? yes

- How much is Attila's marginal rate of substitution between *exes* and *whys* at bundle $(12, 6)$? $\frac{\Delta whys}{\Delta exes} = -\frac{1}{2}$