

Quiz 3 - SOLUTION

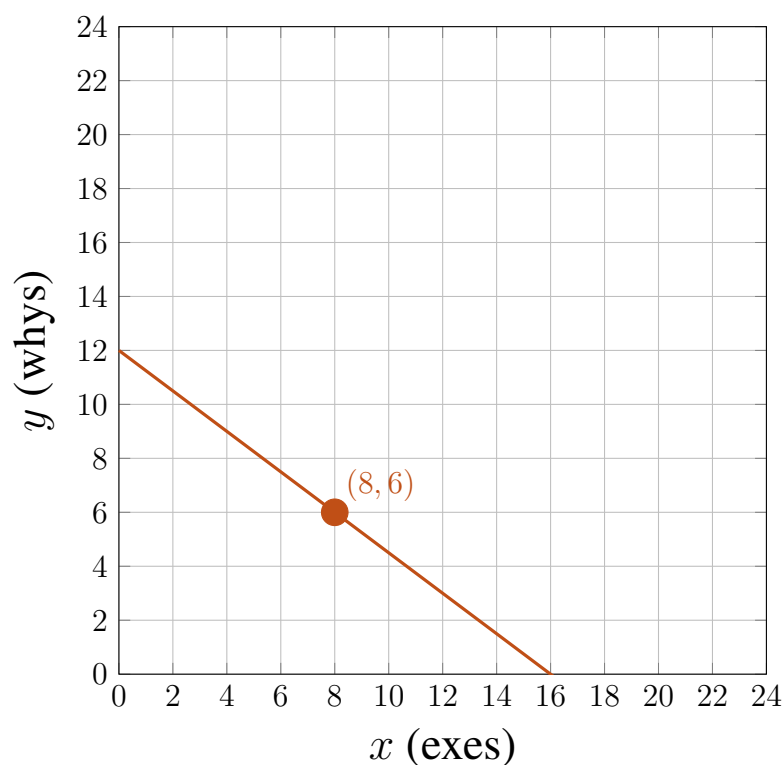
Zsuzsanna likes both *exes* and *whys*. She consumes nothing else. Zsuzsanna prefers more to less from both goods, and she firmly believes that consuming four *exes* is equivalent to consuming three *whys*.

- Mark the correct answer!

For Zsuzsanna, *exes* and *whys* are

- ☒ perfect substitutes.
- ☐ substitutable without being perfect substitutes.
- ☐ perfect complements.
- ☐ “goods” as long as she consumes two *exes* for each three *whys*, and “bads” otherwise.

- In the graph below, draw an indifference curve—representing Zsuzsanna’s preferences—through the bundle that has 8 *exes* and 6 *whys*.



- Mark the correct answer!

If x denotes the amount of *exes* and y the amount of *whys* that Zsuzsanna consumes, then Zsuzsanna’s preferences can be represented by the following utility function:

- ☐ $u(x, y) = \min\{4x, 3y\}$.
- ☐ $u(x, y) = \min\{3x, 4y\}$.
- ☐ $u(x, y) = 4x + 3y$.
- ☒ $u(x, y) = 3x + 4y$.

- Use the utility function that you have chosen above to answer the following questions:
 - How much is Zsuzsanna’s marginal utility with respect to *exes*? 3
 - How much is Zsuzsanna’s marginal utility with respect to *whys*? 4
 - How much is Zsuzsanna’s marginal rate of substitution between *exes* and *whys*? $-\frac{3}{4}$