Quiz 4

Your name and student ID number

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⇐ Name of the student on your left

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Name of the student on your right ⇒

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Quiz 4

Tamás, Zsuzsanna's younger brother, likes both *exes* and *whys* too. Just like Zsuzsanna, he consumes nothing else and he prefers more to less from both goods. Tamás firmly believes that *exes* and *whys* should be consumed in fixed proportions: four *exes* with three *whys*.

- Mark the correct answer!

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

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

Let p_x denote the unit price of *exes* and p_y the unit price of *whys*. Assume that Tamás has *m* monetary units to spend on *exes* and *whys*.

- Write and solve Tamás's constrained utility-maximization problem.
  Hint: you should look for x and y as functions of prices and income, i.e. $x(p_x, p_y, m)$ and $y(p_x, p_y, m)$.

- Are *exes* ordinary goods for Tamás? Why?

- Are *exes* normal goods for Tamás? Why?