

Quantity of money,  $y$

$$u = y - e^2$$
$$\text{mrs}(e, y) = \frac{u_e}{u_y} = -2e$$

$y_3 = u_3$

$y_2 = u_2$

$y_1 = u_1$

$u_3$

$u_2$

$u_1$

Level of effort,  $e$

