

① a.

MU_x	MU_y	$\frac{MU_x}{P_x}$	$\frac{MU_y}{P_y}$
15	12	15	12
11	9	11	9
9	6	9	6
6	5	6	5
4	3	4	3
3	2	3	2
1	1	1	1

Cheese and ham are substitute. To maximize utility within her budget, she need to compare $\frac{MU}{P}$ of each unit. So she should purchase 4 hams and 3 cheeses.

b. To maximize utility, she need to purchase good from where $MU = 0$. which is not presented on the table. And she also doesn't have enough budget anyway.

$$\textcircled{2} \quad a. \quad |MRS_{xy}| = \left| \frac{\Delta y}{\Delta x} \right| = \frac{MU_x}{MU_y}$$

$$\text{from A to B ; } \frac{MU_x}{MU_y} = \frac{9}{2}$$

A and B are on consumer's equilibrium ; $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$

$$\therefore P_x = 45 \text{ \$/unit} //$$
$$\frac{9}{P_x} = \frac{2}{10}$$
$$P_x = 45$$

$$b. \quad \frac{MU_x}{P_x} = \frac{MU_y}{P_y}$$

$$P_y = \frac{MU_y}{MU_x} \cdot P_x$$

$$\text{from (a.) } \frac{MU_y}{MU_x} = \frac{9}{2} ; P_y = \frac{9}{2} \times 180 = 40 \text{ \$/unit}$$

$$\begin{aligned} \text{Budget} &= x \cdot P_x + y \cdot P_y \\ &= 4 \cdot 180 + 9 \cdot 40 \\ &= 1080 \text{ \$} // \end{aligned}$$

C. From C to B ; The consumer gave up 9 units of nuts.

His/her utility decreased by 4 units, from IC_2 to IC_1

From B to D ; The consumer gained 4 more units of avocado.

He/she gained 4 more units of utility, from IC_1 to IC_2

$$\therefore \text{utility per unit of avocado} = \frac{4}{4} = 1 //$$

d. From A to B, the consumer gave up 9 units of nuts for 2 more units of avocado (2 → 4 units of avocado)

From C to D, the consumer gave up 9 units of nuts for 4 more units of avocado (4 → 8 units of avocado)

MU_y (nuts) from 9 to 18 units must be equal on IC₁ and IC₂. To get equal MU_y, the consumer has to consume more avocado in order to decrease the marginal utility, due to the law of diminishing marginal utility.