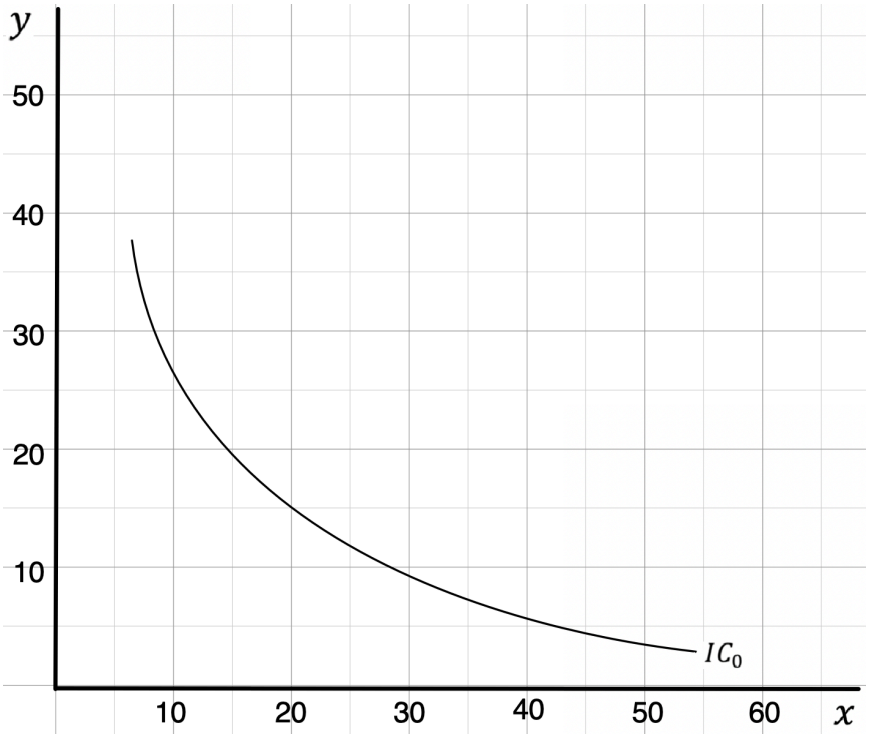
#1

12. Five consumers have the following marginal utility of apples and pears:

	Marginal Utility of Apples	Marginal Utility of Pears
Claire	6	12
Phil	6	6
Haley	6	3
Alex	3	6
Luke	3	12

The price of an apple is $1, and the price of a pear is $2. Which, if any, of these consumers are optimizing their choices of fruit? For those who are not, how should they change their spending?

#2 Given the price of x = 3, price of y = 4, and budget = 120.



A) Draw the budget line and find the equilibrium with the given indifference curve IC in the diagram below.
B) If the income increases from 120 to 150, where will be the new equilibrium so that the change in the consumption of x be such that the Income Elasticity of x is equal to 1.
C) With the change of equilibrium you found in (B), what will be the Income Elasticity of y?

Q1. apple $1 pear $2

maximize condition

$$\frac{Pa}{Pp} = \frac{MUa}{MUp} = \frac{1}{2}$$

Claire

$\frac{6}{12} = \frac{1}{2}$

Claire has the same as max condition

Philp

$\frac{6}{6} = 1$

$1 \neq \frac{1}{2}$

Philp don't has the same as max condition.

Therefore, Philp should consume more apple until MU=3 so that it could satisfies the maximium condition

Haley

$\frac{6}{3} \neq 2$

Haley also this case did not has the same as maximium condition.

Therefore, Haley should consume less pear until MU=12.

Alex

$\frac{3}{6} = \frac{1}{2}$

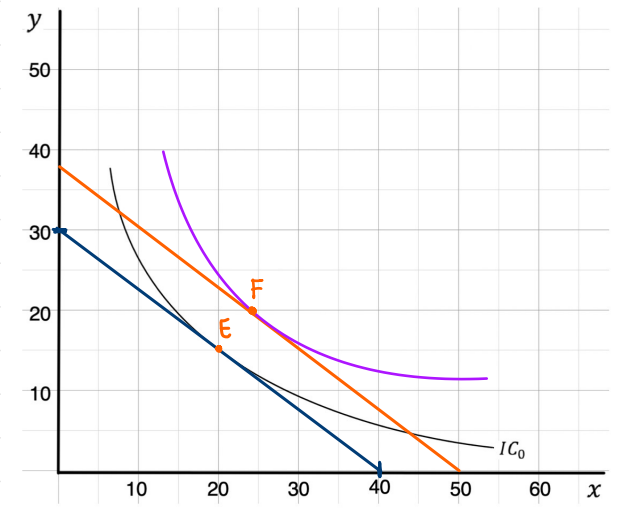
satisfy max condition.

Luke

$\frac{3}{12} = \frac{1}{4}$

Luke should consume more pear until MU=6 to satify the maximium condition

Q2. a)



the equilibrium is at point E (40, 30)

b) when income increases from 120 to 150
, consumer's budeget will increase so they can consume more x and y.

x
150/3 = 50

y
150/4 = 37.5

c) YED of Y is also 1 as a normal good.