

## Answer on Question #64142, Economics / Microeconomics

Using your knowledge of utility and consumer behavior and the data below, show exactly how you would spend your income, on which goods and why. Be sure to calculate the MU/P for good X and good y, and then proceed.

Q	MU <sub>x</sub>	MU <sub>y</sub>
1	90	150
2	84	120
3	80	90
4	60	60

**Solution:**

Q	MU <sub>x</sub>	MU <sub>y</sub>	MU <sub>x</sub> / P <sub>x</sub>	MU <sub>y</sub> / P <sub>y</sub>
1	90	150	90/2= 45	150/3=50
2	84	120	84/2= 42	120/3=40
3	80	90	80/2=40	90/3=30
4	60	60	60/2=30	60/3=20

Although the minimum of both MU x and MU y this is equal to 30 it is better to use 40, since using the MU x at 4 will have a higher negative outcome after using 3. It is better to buy 3 units of x and 2 units of Y to use all of the income of \$12

$$x = 3 \times \$2 = \$6$$

$$y = 2 \times \$3 = \$6$$

**Answer: x = \$6 and y = \$6**

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