

Answer on the Question #78924, Economics / Microeconomics

The table shows bundles along with an indifference curve for two goods X and Y:

x:0 1 2 3 4 5 6 7 8 9 10

Y:30 23 17 12 8 5 3 1.2 0.5 0

Calculate the MRS at each point

X	0	1	2	3	4	5	6	7	8	9	10
Y	30	23	17	12	8	5	3	2	1	0.5	0
MRS _{x,y}	-	(23-30)/1 = -7	(17-23)/(2-1) = -6	-5	-4	-3	-2	-1	-1	-0.5	-0.5

When quantity of X increases, quantity of Y must decrease. The $MRS_{xy} = \Delta Y / \Delta X$. So as X increase, the denominator gets bigger and MRS decreases. As X increase, Y decreases and the numerator gets smaller so MRS decreases. Both these effects work so that as X increase MRS decreasing.

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