QUIZ I ECON500, October 4, 2006

Name:

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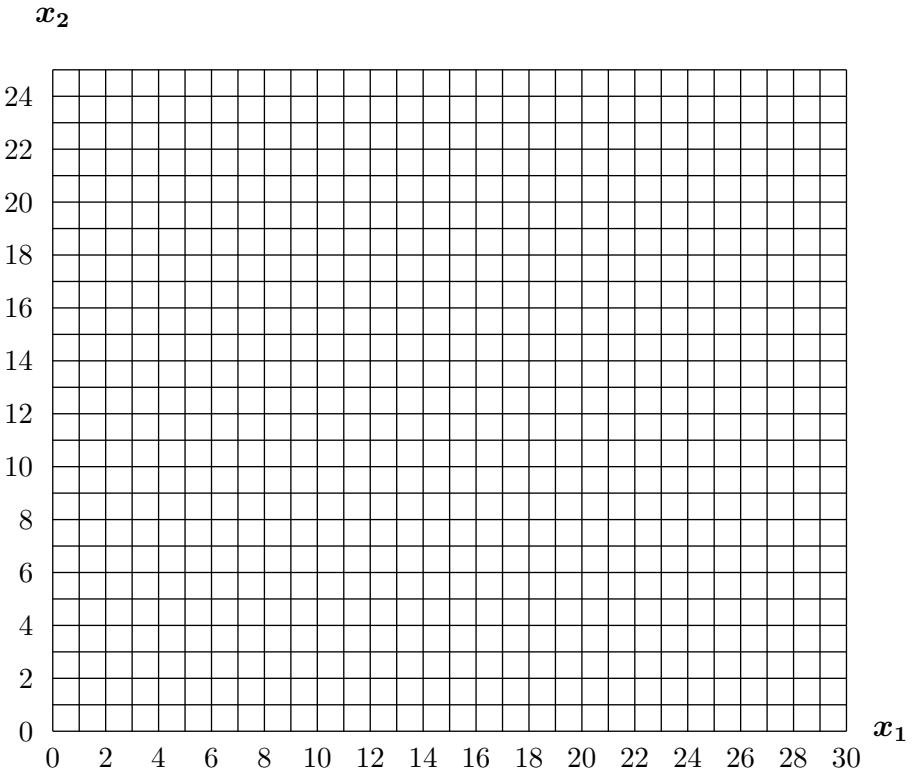
Use the grid for questions 1 and write the answer to question 2 in the box below. You must show your work. For question 2 you can do this by using the grid. All graphs must be accurate to get credit.
Use the back of this form and the last page as scratch paper—do not use your own paper.

Question 1 Suppose a utility function is given by $u(x_1, x_2) = x_1 + \ln(x_1 + x_2)$. Prices are given by $p_1 = 10, p_2 = 1$. Graph the wealth expansion path in the grid below (*To get credit, the graph must be accurate*). 5%



Space to show your work for question 1

Question 2 Below is a list of a consumer's choices given a Walrasian Budget Set.

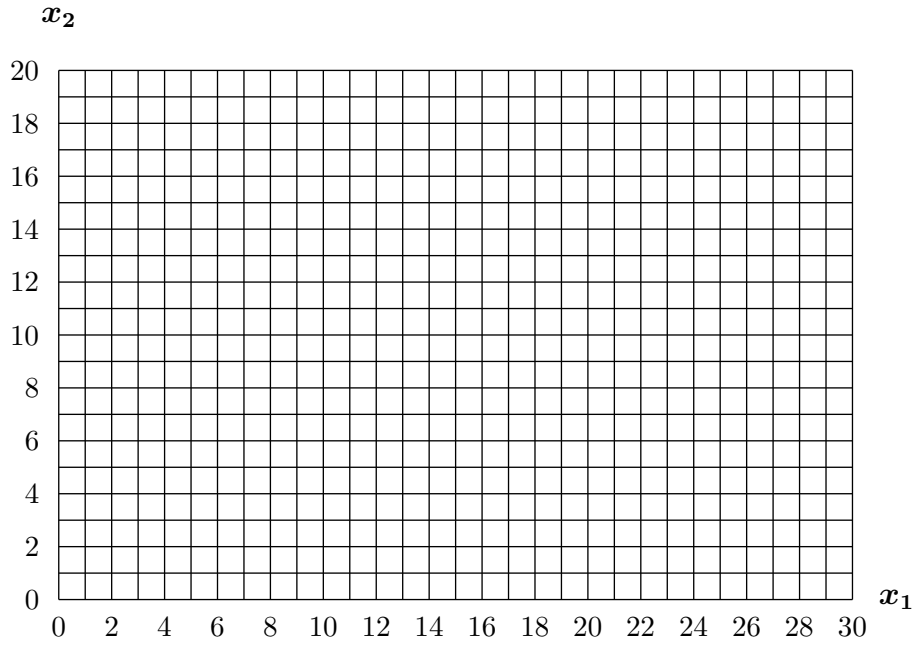
- If prices are $p^1 = (1, 1)$ then the consumer chooses $x^1 = (7, 5)$,
- If prices are $p^2 = (1, 2)$ then the consumer chooses $x^2 = (10, 2)$,
- If prices are $p^3 = (1, 4)$ then the consumer chooses $x^3 = (8, y)$,

Then (specify a condition for y)

the weak Axiom is violated if and only if

4%

The grid below may help



Scratch paper: Anything on this page will not be graded.