

In-class problem: Consumer Theory

1) If Fred's MRS of salad for pizza equals to -5, then which of the following is true?

- A) He would give up 5 pizzas to get the next salad.
- B) He would give up 5 salads to get the next pizza.
- C) He will eat 5 times as much pizza as salad.
- D) He will eat 5 times as much salad as pizza.

2) Steven feels that coffee and tea are perfect substitutes. Due to caffeine levels, his MRS of tea for coffee equals -2. If coffee and tea sell for the same prices, how much tea and coffee Steven will consume?