Solutions

Each answer shows the steps, then the **result**.

2.1

- each additional unit consumed adds less extra satisfaction than the previous one

2.2

- allocate spending so that $\frac{MU}{P}$ is equal for all goods

2.3

- beyond $MB = MC$, the next unit's marginal cost exceeds its marginal benefit, so it subtracts from total net benefit

3.1 B

3.2 B

3.3

(a)

- X: $\frac{20}{4} = 5$; Y: $\frac{15}{5} = 3$

(b)

- buy more of good X (its MU/P is higher)