

# ECON 100A

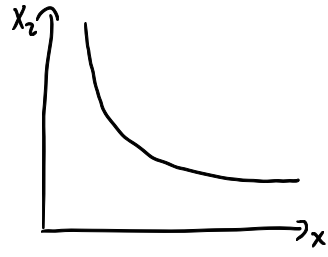
# 1.27 LECTURE 4

Today's Topic: Marginal Rate of Substitution

Well-behaved preferences are monotonic, convex, and increasing.

CP3a.  $u(x_1, x_2) = 4 \ln x_1 + 2 \ln x_2$   
 $MU_1 = \frac{4}{x_1}$       $MU_2 = \frac{2}{x_2}$

$$MRS = \frac{MU_1}{MU_2} = \frac{2x_2}{x_1}$$



CP3b.  $u(x_1, x_2) = \sqrt{x_1} + 2x_2$   
 $MU_1 = \frac{1}{2\sqrt{x_1}}$       $MU_2 = 2$

