Quiz 2

Let the budget constraint be $I = p_1 x_1 + p_2 x_2$ and remember our utility function $U(x_1, x_2) = x_1 x_2^2$ from last week's quiz.

a) Find the demand functions for x_1 and x_2.

b) Are these demands homogeneous of degree zero in prices and income?

c) Do they imply constant expenditure shares?

Note: it is possible to answer b) and c) without having solved a).

d) Find the indirect utility function.