

Quiz 6: Exchange Economy

Consider two agents (1 and 2) and two goods (x and y) exchange economy. Suppose agents' utility functions and initial endowments are given as follows:

$$u_1(x_1, y_1) = x_1^a y_1^{1-a}$$

$$u_2(x_2, y_2) = x_2^b y_2^{1-b}$$

$$\omega_1 = (1, 0)$$

$$\omega_2 = (0, 1)$$

Solve a competitive equilibrium price ratio p_y/p_x .