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 \( p_y / p_x \).