ECO358 - Midterm 2025

Clearly state the formula/procedure/approach that you have used to obtain your results; the approach is more important than the result. If an explanation is required, write **brief** answers; the probability of writing something wrong is higher in long answers. Fuzzy logic, ambiguity and multiple answers will reduce your credit.

1 Intertemporal consumption choice [18 points]

Ben earns $4,000 this year and zero income next year. Ben also has an investment opportunity in which