THIS QUESTION IS TO REPLACE QUESTION 1 IN PART II OF THE SECOND ASSIGNMENT
There is an error in the original question. When Myrtle has an option of a BUS PASS of $100 or $50, she will ride the bus 75 times, NOT 40 times

Part 2 Working With CV and EV

1. Myrtle has $800 per month to spend on Transit (X) and all other goods (Y). She currently buys a bus pass for $100 and rides **75** times per month. If she didn't buy the pass, bus rides would cost $2/ride. Myrtle is offered to join a Transit program that would allow her to pay a membership fee and then could ride the bus for $1 per trip. The most Myrtle would pay for the membership is $40. and then she would ride 15 times a month. If she were given the membership for free, she would ride the bus 18 times per month. Myrtle also reveals that she would be indifferent between a free membership (and $1 per ride) versus simply having the traditional bus pass reduced to $50 per month (flat rate), where she would again choose to ride the bus **75** times a month.

   (a) Using all the information provided, draw all the relevant budget constraints and indifference curves. Be sure to label all equilibrium points and have a legend that explains each point (in one or two sentences).

   (b) Calculate her CV (compensating variation) difference between the Pass, and the most she would pay for $1 rides

   (c) Calculate her EV (equivalent variation)