# Quiz #2 -- February 8, 2018

1. Cher's marginal rate of substitution of necklaces (N) for earrings (E) is 5 ($MRS_{EN} = 5$). This information implies that:
   A) Cher will move to a higher indifference curve if she trades away five necklaces for one more pair of earrings.
   B) Cher is willing to trade away five necklaces for one more pair of earrings, holding her utility constant.
   C) Cher should own five times as many necklaces as pairs of earrings.
   D) the slope of the indifference curve is 5 and thus upward sloping.

2. Randy likes baseball more than football, football more than basketball, and basketball more than baseball. Which assumption about consumer preferences does this violate?
   A) completeness and rankability
   B) transitivity
   C) more is better

   D) The more a consumer has of a particular good, the less she is willing to give up of something else to get even more of that good.

3. Which of the following payroll taxes would be most beneficial for workers (e.g., provide the highest after-tax wage)?
   A) 9% on workers and 6% on employers
   B) 5% on workers and 10% on employers
   C) 2% on workers and 14% on employers
   D) 12% on workers and 1% on employers

4. Beth has $200 of income to spend on e-books (E), priced at $10 per book, and Zumba ($Z$) classes, priced at $8 per class. Which of the following consumption bundles is infeasible?
   A) $E = 20$ and $Z = 0$
   B) $E = 8$ and $Z = 15$
   C) $E = 10$ and $Z = 13$
   D) $E = 2$ and $Z = 22$

Use the following to answer question 5.

Figure 4.5
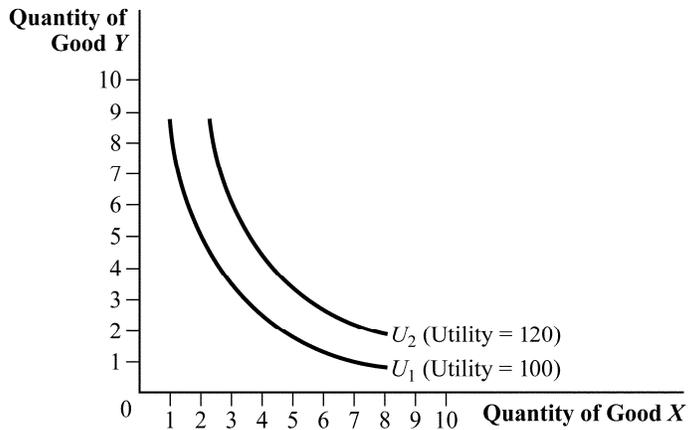
5. (Figure 4.5) Which of the following statements is TRUE?

I.   The consumer prefers any point on indifference curve U_2 to any point on indifference curve U_1.

II. The consumer receives 20% more satisfaction from consuming along indifference curve U_2 than along indifference curve U_1.

III. This consumer is not willing to give up units of good X for more units of good Y.

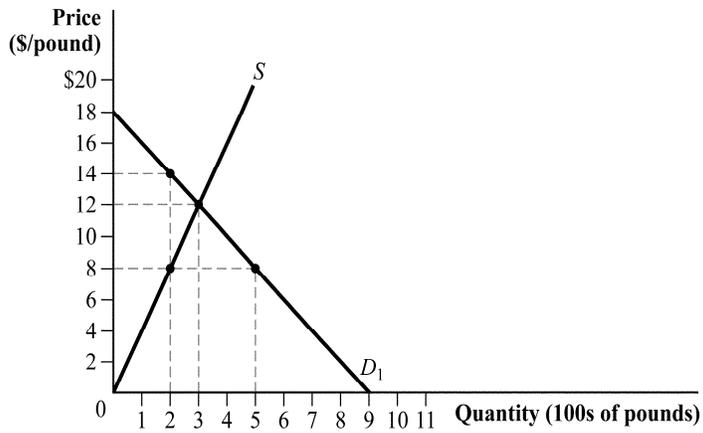A) I   B) I and III   C) II   D) I and II
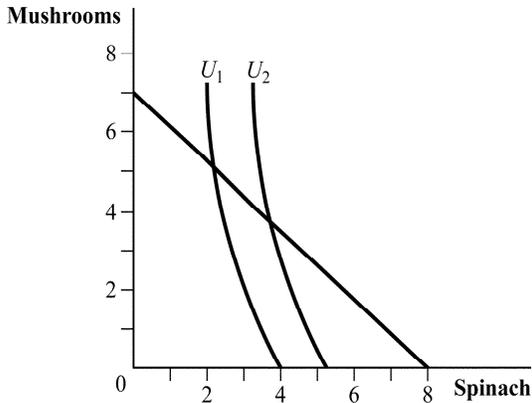
Use the following to answer question 6.

Figure 3.7

6. (Figure 3.7) At a price ceiling of $8, there is a shortage of _____ and a deadweight loss of _____.

   A) 200 pounds; $1,200   C) 300 pounds; $600
   B) 300 pounds; $300   D) 500 pounds; $400

Use the following to answer question 7.

Figure 4.15

7. (Figure 4.15) The consumer maximizes utility by consuming:
   A) 8 units of spinach and no mushrooms.
   B) 7 mushrooms and no spinach.
   C) approximately 4 mushrooms and 4 units of spinach.
   D) on indifference curve U_2.

8. If the government taxes a product, what is the relationship between the price that buyers pay (P_B) and the price that sellers receive (P_S)?
   A) $P_B(1 + \text{tax}) = P_S$ C) $P_B = P_S + \text{tax}$
   B) $P_B + \text{tax} = P_S$ D) $P_B + P_S = \text{tax}$

9. Kyle's utility function is $U = 4X + 3.7Y$, where X is units of good X and Y is units of good Y. What is the marginal utility of good X?
   A) $0.3X$ B) $4X + 3.7$ C) 4   D) $U/4$

10. In the market for used cars, the demand and supply equations are given by $Q^D = 12,000 - 0.4P$ and $Q^S = 0.1P + 5,000$, where P is the price per car and Q measures the quantity of cars. What happens at a price floor of $20,000?
    A) Consumers want to buy 3,000 cars.   C) There is a surplus of 7,000 cars.
    B) There is a surplus of 3,000 cars.   D) Consumers want to buy 7,000 cars.

Answer Key - S18-2

1. B
2. B
3. D
4. C
5. A
6. B
7. A
8. C
9. C
10. B