

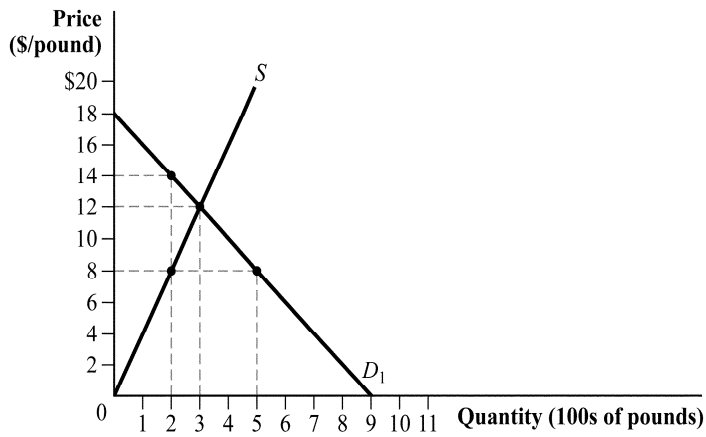
Quiz #2 -- September 23, 2021

You have until the end of class to complete the quiz. Answer the questions on the answer sheet. Pick the alternative that best completes the statement or answers the question. Be sure to write and bubble in your name and PantherID on the answer sheet. You may keep the test booklet.

1. Cher's marginal rate of substitution of necklaces (N) for earrings (E) is 5 necklaces per earring ($MRS_{EN} = 5$). 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) 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.
 - B) more is better
 - C) transitivity
 - D) completeness and rankability
3. Which of the following payroll taxes would leave workers with the highest after-tax wage?
 - A) 5% on workers and 10% on employers
 - B) 9% on workers and 6% on employers
 - C) 12% on workers and 1% on employers
 - D) 2% on workers and 14% 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) $E = 2$ and $Z = 22$
 - B) $E = 10$ and $Z = 13$
 - C) $E = 8$ and $Z = 15$
 - D) $E = 20$ and $Z = 0$

Use the following to answer question 5.

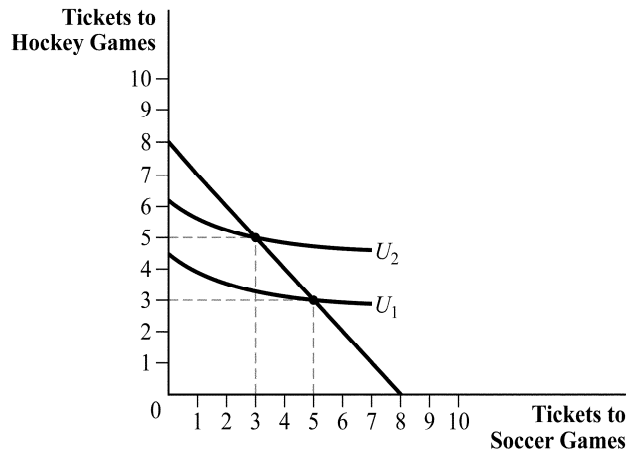
Figure 3.7



5. (Figure 3.7) At a price ceiling of \$8, there is a shortage of _____ and a deadweight loss of _____.
- A) 500 pounds; \$400
B) 300 pounds; \$600
C) 200 pounds; \$1,200
D) 300 pounds; \$300

Use the following to answer question 6.

Figure 4.16



6. (Figure 4.16) To maximize utility, this consumer will buy _____ hockey tickets and _____ soccer tickets.

- A) 8; 0 B) 5; 3 C) 3; 5 D) 0; 8

7. 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) There is a surplus of 3,000 cars. C) Consumers want to buy 7,000 cars.
 B) There is a surplus of 7,000 cars. D) Consumers want to buy 3,000 cars.

8. At the equilibrium price of \$10, the elasticity of demand and supply are -0.9 and 1.10 . If the government institutes a tax of \$1 per unit, sellers will receive _____ and consumers will pay _____.

- A) \$9.55; \$10.55 B) \$10.25; \$11.25 C) \$9.80; \$10.80 D) \$9.75; \$10.75

9. Which of the following statements is FALSE?

- A) Utility is the difference between the consumer's assets and her liabilities.
 B) A utility function gives the relationship between a consumer's well-being and the quantities of goods consumed.
 C) Inputs into a utility function may include wool socks, DVD rentals, roller coaster rides, asparagus, and Sunday church services.
 D) One person's utility cannot be compared to another person's utility.

10. Suppose that $MU_Y = 15$, $MU_X = 10$, $P_Y = \$2$, and $P_X = \$1$. Which of the following statements is TRUE?
- A) The consumer is receiving more marginal utility per dollar from good Y than from good X .
 - B) The consumer is maximizing utility.
 - C) The consumer could increase utility by giving up 2 units of good X for 1 unit of good Y .
 - D) The consumer could increase utility by giving up 1 unit of good Y for 2 units of good X .

Answer Key - F21-2

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