

1. Taking a limousine to a five star restaurant in New York is a
  - A. necessity to Donald Trump but a luxury to Joe Average.
  - B. necessity to both Joe Average and Donald Trump.
  - C. want to both Joe Average and Donald Trump.
  - D. want to Donald Trump and a luxury to Joe Average.

Sven likes to water ski, but can only water ski during the one week that he is on vacation. Therefore, he plans to ski every day, for eight hours a day. The first day, Sven skied for eight hours and enjoyed every hour. The second day, Sven slept in and then skied for seven hours, which was fun but not as much fun as the first day. The third day, Sven skied for six hours, but was starting to get a bit bored by the end. The fourth day, Sven skied for four hours and then took a nap. On the fifth day of Sven's vacation, Sven went blueberry picking all day.

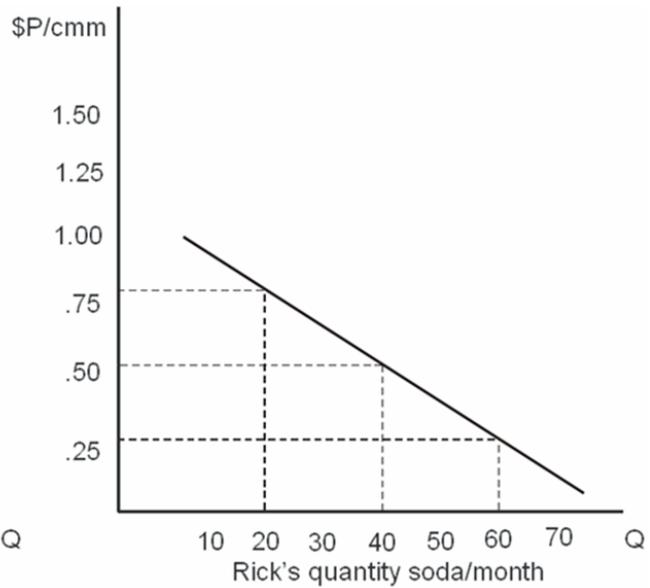
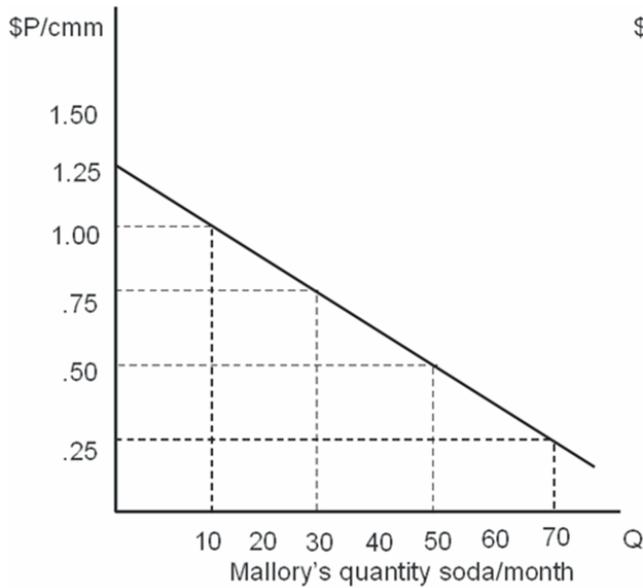
2. Sven's total utility \_\_\_\_\_ with each hour that he skied.
  - A. increased
  - B. decreased
  - C. remained constant
  - D. first increased than decreased
  
3. On the fifth day of Sven's vacation, he had decided that another hour of skiing would yield
  - A. more utility than the day before
  - B. the same level of utility as the day before
  - C. less utility than blueberry picking
  - D. no utility at all
  
4. Sven's vacation convinced him that
  - A. even for activities he really enjoys, diminishing marginal utility eventually sets in.
  - B. blueberry picking yields higher total utility than does water skiing.
  - C. even for activities he really enjoys, total utility declines each time he engages in it.
  - D. economic theory applies only to things you buy, not recreation

Assume that Dusty has \$30 in income, the price of a loaf of bread is \$1.50, and the price of a jar of peanut butter is \$3.

5. Dusty can buy a maximum of \_\_\_\_\_ loaves of bread or a maximum of \_\_\_\_\_ jars of peanut butter.
  - A. 20; 10
  - B. 15; 15
  - C. 10; 20
  - D. 10; 5

6. If Dusty's income falls to \$20, the rational spending rule would predict that Dusty will buy (assume bread and peanut butter are normal goods)

- A. more bread and less peanut butter.
- B. less bread and more peanut butter.
- C. less bread and less peanut butter.
- D. more bread and the same amount of peanut butter.

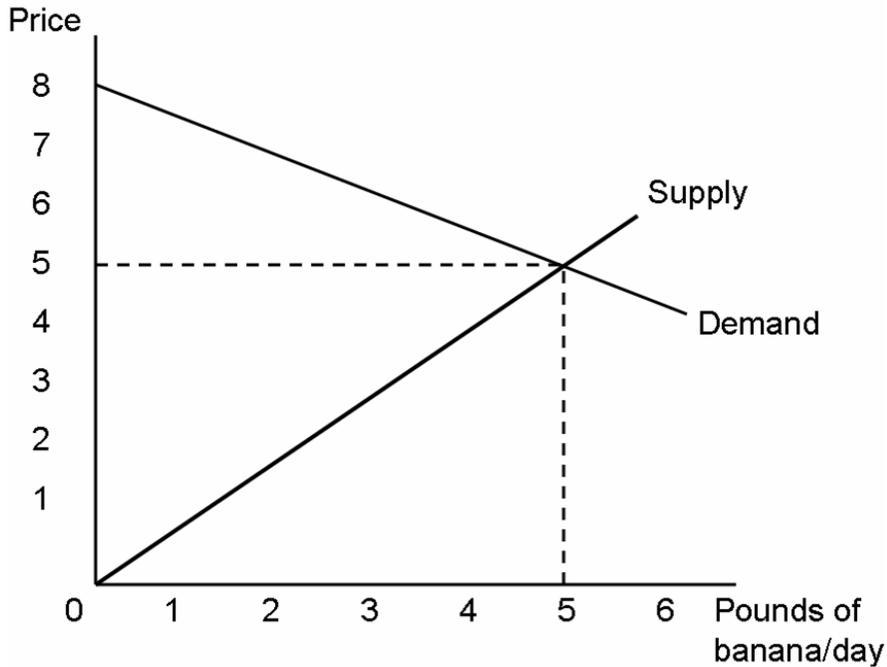


7. Refer to the figure above. On the basis of the above graphs, it appears that \_\_\_\_\_ has the strongest demand for soda.

- A. Rick
- B. Mallory
- C. Mallory and Rick both
- D. neither Mallory nor Rick

8. Refer to the figure above. The market demand curve indicates that at a price of \$0.75, \_\_\_\_\_ cans of soda will be demanded.

- A. 20
- B. 50
- C. 70
- D. 100



9. Refer to the figure above. At the equilibrium price consumer surplus is

- A. \$7.50/day
- B. \$10/day
- C. \$15/day
- D. \$40/day

10. Angel's marginal utility for playing pool is 10 after playing 5 games. Angel's marginal utility for bowling is 6 after 3 games. If both pool and bowling cost \$1 a game, to maximize his utility Angel should

- A. bowl more and play pool less
- B. just go home
- C. bowl only
- D. bowl less and play pool more

Jamie's marginal utility for consuming muffins and doughnuts in utils are as follows. Jamie spends \$4 for breakfast every morning, the price per muffin is \$1.00 and the price per doughnut is \$0.50.

Muffin/Day	Marginal Utility per Muffin	Doughnut/Day	Marginal Utility per Doughnut
1	45	2	20
2	30	4	15
3	25	6	10

11. If Jamie consumes 3 muffins, Jamie will consume \_\_\_\_ doughnuts, and have \_\_\_\_ marginal utility per dollar from doughnuts.

- A. 2; 20
- B. 4; 15
- C. 2; 40
- D. 4; 10

12. What is Jamie's optimal combination of muffins and doughnuts?

- A. 1 muffin, 6 doughnuts
- B. 2 muffins, 4 doughnuts
- C. 3 muffins, 2 doughnuts
- D. 4 muffins, zero doughnuts

13. Ms. A owns a beautiful turn of the century house in University City. She would be willing to pay as much as \$300,000 for it, but she got a deal and was able to buy it for \$225,000. What is Ms. A's consumer's surplus?

- A. \$300,000
- B. \$225,000
- C. \$525,000
- D. \$75,000

14. Assume diminishing marginal utility. If Terry gets maximum utility from owning 10 pairs of shoes, then Terry's total utility from owning 7 pairs of shoes is \_\_\_\_\_ Terry's total utility from owning 8 pairs.

- A. greater than
- B. equal to
- C. less than
- D. less than or equal to

15. Jeff is willing to pay \$3 for the first cup of coffee; \$2 for the second cup; \$1 for the third; \$0.50 for the fourth and nothing for the fifth cup. If coffee sells for \$1.25, what is Jeff's consumer's surplus?

- A. \$1.50
- B. \$0.25
- C. \$3.50
- D. \$2.50

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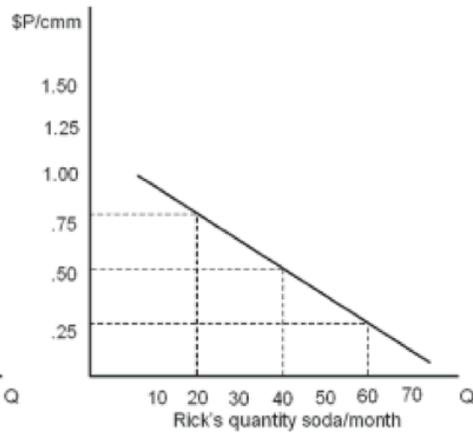
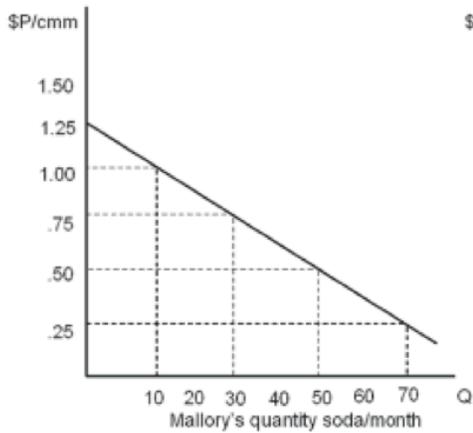
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- B. 15; 15
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$$P_i = \$1.50$$
$$P_j = \$3$$

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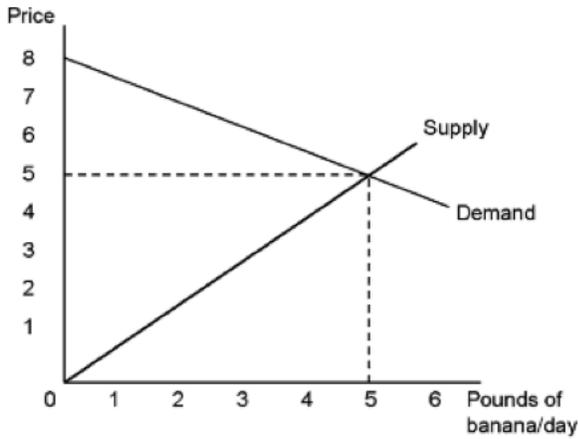


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$$\frac{1}{2} (3) (5) = 7.5$$

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- C. 2; 40
- D. 4; 10

$$3 \text{ muffins} = \$3$$

$$2 \text{ donuts} = \$1$$

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A. \$1.50

B. \$0.25

C. \$3.50

D. \$2.50

Jeff will buy 2 cups

$$2(1.25) = 2.5$$

Jeff would have paid \$5

$$5 - 2.5 = 2.5$$

