MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Scarcity can best be defined as a situation in which:
   A) there are no buyers willing to purchase what sellers have produced.
   B) there are not enough goods to satisfy all of the buyers’ demand.
   C) resources are limited in quantity and can be used in different ways.
   D) there is more than enough money to satisfy consumers’ wants.

2) Adam Smith used the metaphor of the invisible hand to explain how:
   A) markets mismatch buyers and sellers.
   B) the butcher and the baker are benevolent.
   C) people acting in their own self-interest promote the interest of society as a whole.
   D) the production possibilities frontier illustrates efficient outcomes.

3) Positive economics:
   A) is the focus of most modern economic reasoning.
   B) concerns the forces that affect economic activity.
   C) predicts the consequences of alternative actions.
   D) All of the above are correct.

4) Normative economics:
   A) is the focus of most modern economic reasoning.
   B) answers the question "What ought to be?"
   C) predicts the consequences of alternative actions.
   D) All of the above are correct.

5) Which of the following is an example of a normative question?
   A) How will an increase in the price of gasoline affect taxi drivers?
   B) What fraction of an income-tax cut will be spent on consumer goods?
   C) Should the government provide free prescription drugs to senior citizens?
   D) How will an increase in the minimum wage affect teenaged workers?

6) Economists use assumptions to:
   A) make things simpler.
   B) focus on what really matters.
   C) simplify decision-making.
   D) all of the above

7) The Latin phrase *ceteris paribus* means that when a relationship between two variables is being studied:
   A) both are treated as unpredictable.
   B) neither of those two variables is allowed to change.
   C) all other variables are held fixed.
   D) we recognize that some factors are unknown.

8) A small change in a relevant variable is:
   A) an average change.
   B) a *ceteris paribus* change.
   C) an efficient change.
   D) a marginal change.
9) Which of the following is an example of a marginal question?
   A) How much will my chances of a job improve if I raise my GPA from a C to a C+?
   B) What is the average cost of a college education?
   C) How many students borrow money in order to attend college?
   D) What is the average income of a college graduate?

10) Figure 1.6 illustrates the relationship between the price of pizza and the number of pizzas a person chooses to consume. On this figure, the price of pizza is:
   A) negatively related to the number of pizzas consumed.
   B) positively related to the number of pizzas consumed.
   C) constant.
   D) indeterminate.

11) Figure 1.6 illustrates the relationship between the price of pizza and the number of pizzas a person chooses to consume. On this figure, the number of pizzas consumed is:
   A) negatively related to the price of pizza.
   B) positively related to the price of pizza.
   C) constant.
   D) unrelated to the price of pizza.

12) Figure 1.6 illustrates the relationship between the price of pizza and the number of pizzas a person chooses to consume. On this figure, as the price of pizzas rises this person’s consumption of pizzas will:
   A) increase.
   B) decrease.
   C) remain constant.
   D) none of the above

13) Figure 1.6 illustrates the relationship between the price of pizza and the number of pizzas a person chooses to consume. On this figure, if the price of pizza were $8, this person would consume:
   A) 5 pizzas.
   B) 6 pizzas.
   C) 7 pizzas.
   D) 8 pizzas.

14) Figure 1.6 illustrates the relationship between the price of pizza and the number of pizzas a person chooses to consume. On this figure, if the price of pizza were $10, this person would consume:
   A) 5 pizzas.
   B) 6 pizzas.
   C) 7 pizzas.
   D) 8 pizzas.
15) Figure 1.6 illustrates the relationship between the price of pizza and the number of pizzas a person chooses to consume. On this figure, if a person consumes 9 pizzas, the price of pizzas must be:

16) Figure 1.6 illustrates the relationship between the price of pizza and the number of pizzas a person chooses to consume. On this figure, if a person consumes 6 pizzas, the price of pizzas must be:

17) Refer to Figure 1.7. A positive relationship is illustrated by:
   A) graph A.
   B) graph B.
   C) graph C.
   D) More than one graph illustrates a positive relationship.

18) Refer to Figure 1.7. A negative relationship is best illustrated using:
   A) graph A.
   B) graph B.
   C) graph C.
   D) More than one graph illustrates a negative relationship.
19) Refer to Figure 1.7. A constant relationship is best illustrated using:
   A) graph A.
   B) graph B.
   C) graph C.
   D) More than one graph illustrates a constant relationship.

20) Refer to Figure 1.7. A nonlinear relationship is best illustrated using:
   A) graph A.  B) graph B.  C) graph C.  D) graph D.

21) The slope of Figure 1.8 is:
   A) 1/2.  B) 2.  C) -1/2.  D) -2.

22) The relationship shown in Figure 1.8 has:
   A) a positive slope.  B) a negative slope.  C) a slope of zero.  D) an infinite slope.

23) Suppose that the slope in Figure 1.8 were to change to -4. This would imply that the curve showing the relationship is:
   A) flatter than before.  B) steeper than before.  C) now positive instead of negative.  D) horizontal.

24) Suppose that the slope in Figure 1.8 were to change to 1. This would imply that the curve showing the relationship is:
   A) flatter than before.  B) steeper than before.  C) now upward sloping instead of downward sloping.  D) horizontal.
25) Suppose the slope of a line is -4 where x is on the horizontal axis and y is on the vertical axis. This means that when:

A) x increases by 2, y increases by 8.
B) x increases by 2, y decreases by 8.
C) x increases by 2, y decreases by 1/4.
D) y increases by 2, x decreases by 8.

26) Suppose the slope of a line is 4 where x is on the horizontal axis and y is on the vertical axis. This means that when:

A) x increases by 2, y increases by 1/4.
B) x increases by 2, y decreases by 8.
C) y decreases by 1/4, x decreases by 2.
D) y decreases by 8, x decreases by 2.

27) Figure 1.9 shows some possible relationships between the price of soda pop and the quantity of soda pop. Suzanne buys more soda pop when the price decreases. Suppose that the actual price of soda pop decreases. Which diagram depicts the change?

A) A  B) B  C) C  D) D

28) Figure 1.9 shows some possible relationships between the price of soda pop and the quantity of soda pop. Suzanne buys more soda pop when its price decreases and also buys more soda pop at any price when her income increases. Suppose that Suzanne gets a raise at work. Which diagram depicts the change?

A) A  B) B  C) C  D) D
29) Figure 1.9 shows some possible relationships between the price of soda pop and the quantity of soda pop. Tyrell produces more soda pop as the price increases. Suppose that the price of soda pop decreases. Which diagram depicts the change?

A) A  B) B  C) C  D) D

30) Figure 1.9 illustrates the relationship between the price of soda pop and Tyrell’s production of soda pop. Tyrell produces more soda pop as the price increases. He also produces more when the cost of ingredients decreases. Suppose that the price of corn syrup (used to make soda pop) decreases. Which diagram depicts the change?

A) A  B) B  C) C  D) D

![Figure 1.11](image)

31) Figure 1.11 illustrates the relationship between the price and quantity of strawberries consumed. The percentage change in consumption from point Q to point R, rounded to the nearest integer (using the midpoint formula), is about ________%.

A) 2  B) 3  C) 86  D) 150

32) Figure 1.11 illustrates the relationship between the price and quantity of strawberries consumed. The percentage change in consumption from point R to point S, rounded to the nearest integer (using the midpoint formula), is about ________%.

A) 5  B) 10  C) 67  D) 100

33) Figure 1.11 illustrates the relationship between the price and quantity of strawberries consumed. The percentage change in consumption from point R to point T, rounded to the nearest integer (using the midpoint formula), is about ________%.

A) 5  B) 15  C) 100  D) none of the above

34) Figure 1.11 illustrates the relationship between the price and quantity of strawberries consumed. The percentage change in strawberry price from point Q to point R, rounded to the nearest integer (using the midpoint formula), is about ________%.

A) 1  B) 5  C) 20  D) 22
35) Figure 1.11 illustrates the relationship between the price and quantity of strawberries consumed. The percentage change in strawberry price from point R to point S, rounded to the nearest integer (using the midpoint formula), is about ________%.
   A) 1  B) 4  C) 29  D) 25

36) Figure 1.11 illustrates the relationship between the price and quantity of strawberries consumed. The percentage change in strawberry price from point R to point T, rounded to the nearest integer (using the midpoint formula), is about ________%.
   A) 2  B) 4  C) 50  D) 67

37) The opportunity cost of something is:
   A) the cost of the labor used to produce it.  B) what you sacrifice to get it.
   C) the price charged for it.  D) the search cost required to find it.

38) The principle of opportunity cost:
   A) is more relevant for firms than for individuals.  B) only refers to monetary payments.
   C) is only relevant in economics.  D) is applicable to all decision-making.

39) Suppose that your tuition to attend college is $10,000 per year and you spend $4,000 per year on room and board. If you were working full time, you could earn $20,000 per year. What is your opportunity cost of attending college for one year?
   A) $14,000  B) $24,000  C) $30,000  D) $34,000

40) An unemployed individual decides to spend the day fishing. The opportunity cost of fishing is equal to:
   A) the cost of bait and any other monetary expenses.
   B) zero, because the person doesn’t have a job.
   C) the cost of bait, any other monetary expenses, and the value of the individual’s wages while he was working.
   D) the cost of bait, any other monetary expenses, and the value of the best alternative use of the individual’s time.

41) Pat claims to save a great deal of money on groceries by travelling to various supermarkets to make her purchases at their advertised sale prices. She might visit as many as five different stores in one day in order to complete her weekly shopping. Her savings are not as great as she may think they are if she does not consider the:
   A) cost of the gasoline in driving from one store to another.
   B) mileage she is putting on her car driving from one store to another.
   C) value of the time she is spending doing the shopping as opposed to other things.
   D) all of the above
Houses | Yards
---|---
0 | 21
1 | 20
2 | 18
3 | 15
4 | 11
5 | 6
6 | 0

Table 2.1

42) A group of people has formed a house cleaning and yard maintenance business. The number of houses or yards that they can clean or maintain in any given day is depicted in Table 2.1. The opportunity cost of cleaning the first house in a day is:
   A) 0 yards.  B) 1 yard.  C) 2 yards.  D) 20 yards.

43) The extra benefit resulting from a small increase in an activity is called the:
   A) opportunity cost.  B) marginal benefit.  C) marginal cost.  D) diminishing returns of the activity.

44) The principle that individuals and firms pick the activity level where the incremental benefit of that activity equals the incremental cost of that activity is known as the:

| Hours of operation | Marginal cost |
---|---|
1 | 4 |
2 | 8 |
3 | 12 |
4 | 16 |
5 | 20 |
6 | 24 |
7 | 28 |

Table 2.2

45) Julianne runs a business and needs to decide how many hours to stay open. Table 2.2 illustrates her marginal costs of staying open for each additional hour. Suppose that Julianne’s marginal benefit of staying open per hour is $20. If she is following the marginal principle, how many hours should Julianne stay open?
   A) 4 hours  B) 5 hours  C) 6 hours  D) 7 hours

46) The principle of diminishing returns implies that as one input increases while the other inputs are held fixed, output:
   A) increases at an increasing rate.  B) increases at a decreasing rate.
   C) decreases at a decreasing rate.  D) decreases at an increasing rate.

47) The period of time over which a firm can change all the factors of production is the:
   A) period of diminishing returns.  B) period of marginal costs.
   C) period of fixed production.  D) long run.
48) Another word for a spillover is:
   A) marginal decision.   B) opportunity cost.   C) externality.   D) diminishing return.

49) A spillover is:
   A) an additional benefit of a transaction that is enjoyed by a party in the transaction.
   B) an additional cost of a transaction suffered by a party involved in the transaction.
   C) a cost or benefit that is not considered by people who decide how much to produce or consume.
   D) a revenue earned by a firm not engaging in its primary activity.

50) Markets exist:
   A) as an arrangement that allows buyers and sellers to exchange things.
   B) because people are not self-sufficient.
   C) because people specialize in the production of one or two products.
   D) all of the above

51) The ability of one person or nation to produce a good at a lower opportunity cost than another is called a(n):
   A) market advantage.   B) comparative advantage.
   C) absolute advantage.   D) specialization advantage.

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<tr>
<th></th>
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<th>Fish/hour</th>
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<tbody>
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<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Sharon</td>
<td>3</td>
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</tr>
</tbody>
</table>

Table 3.3

52) Consider two individuals, Rose and Sharon, who produce fish and coconuts. Rose’s and Sharon’s hourly productivity are shown in Table 3.3. Rose’s opportunity cost of producing one fish is:
   A) 1/3 coconut.   B) 1 1/2 coconuts.   C) 3 coconuts.   D) 6 coconuts.

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>Bob</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Jerry</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 3.4

53) Consider two individuals, Bob and Jerry, who produce guitars and banjos. Bob’s and Jerry’s weekly productivity are shown in Table 3.4. Which of the following is true?
   A) Bob has a comparative advantage in producing guitars but not banjos.
   B) Bob has a comparative advantage in producing banjos but not guitars.
   C) Bob has a comparative advantage in producing both goods.
   D) Bob does not have a comparative advantage in producing either good.
54) In factor, or input, markets:
   A) households demand resources which firms supply.
   B) households supply goods and services which firms demand.
   C) firms supply products which households demand.
   D) households supply inputs which firms demand.

55) In output, or product, markets:
   A) households demand resources which firms supply.
   B) households supply goods and services which firms demand.
   C) firms supply products which households demand.
   D) households demand inputs which firms supply.

56) The market that allows people to exchange one nation’s currency for another is the:
   A) factor market.  B) foreign exchange market.
   C) futures market.  D) capital market.

57) Financial liberalization refers to countries:
   A) opening their markets for trade in goods and services.
   B) opening their financial markets to participants from foreign countries.
   C) easing the rules that govern how financial institutions operate in their countries.
   D) joining the International Monetary Fund.

58) To most people, a good tax system is:
   A) fair.
   B) easy to understand.
   C) one that does not disrupt markets that otherwise operate effectively.
   D) all of the above.

59) A laissez-faire economy is also known as a:
   A) socialist economy.  B) market-based economy.
   C) centrally planned economy.  D) command economy.

60) An economy in which a government authority determines what to produce, how to produce, and who gets the products is a:
   A) capitalistic economy.  B) market-based economy.
   C) centrally planned economy.  D) none of the above

61) Which of the following is a challenge associated with the transition from a centrally planned economy to a market based economy?
   A) the establishment of property rights
   B) the development of bureaucracy
   C) the accumulation of knowledge about production techniques by the government
   D) all of the above
62) An example of a quota is:
   A) Japanese automobile manufacturers agreeing to limit exports to the United States.
   B) a decision by the United States to limit Korean television imports to 100,000 per year.
   C) France charging an additional 10% tax on imports of Mexican clothing.
   D) all of the above

63) Which one of the following statements is correct?
   A) NAFTA is a free-trade agreement between Canada, Mexico, and the United States.
   B) The countries of the European Union plan on joining the governments of all of the participating countries into one federal government.
   C) The Smoot-Hawley Tariff Act raised the average tariff in the U.S. by 150%.
   D) All of the above are correct statements.

64) A demand curve is defined as the relationship between:
   A) the price of a good and the quantity of that good that consumers are willing to buy.
   B) the price of a good and the quantity of that good that producers are willing to sell.
   C) the income of consumers and the quantity of a good that consumers are willing to buy.
   D) the income of consumers and the quantity of a good that producers are willing to sell.

65) The law of demand states that the quantity demanded of a product increases as:
   A) consumer income rises. B) the prices of other products fall.
   C) the price of the product rises. D) the price of the product falls.

66) The substitution effect of a price change implies that as the price of a good falls, people are likely to:
   A) buy more of the good. B) buy more of all goods.
   C) buy less of the good. D) buy less of all goods.

67) The income effect of a price change implies that:
   A) as the price of a normal good falls, people are likely to buy less of the good.
   B) as the price of a good falls, people are likely to buy more of all normal goods.
   C) as the price of a good falls, people are likely to buy less of all normal goods.
   D) both A and C
68) Refer to Figure 4.1, which shows Mary and Tom's individual demand curves for meals per week at Fratelli's Italian restaurant. Assuming Mary and Tom are the only consumers in the market, what is the market quantity demanded at a price of $15?
A) 1  B) 2  C) 3  D) 9

69) Refer to Figure 4.1, which shows Mary and Tom's individual demand curves for meals per week at Fratelli's Italian restaurant. Assuming Mary and Tom are the only consumers in the market, if the market quantity demanded is 6, the price must be:

70) A supply curve is defined as the relationship between:
A) the price of a good and the quantity that consumers are willing to buy.
B) the price of a good and the quantity that producers are willing to sell.
C) the income of consumers and the quantity of a product that consumers are willing to buy.
D) the income of consumers and the quantity of a product that producers are willing to sell.

71) The law of supply states that:
A) firms supply more of a product as consumer income rises.
B) firms supply more of a product as consumer income falls.
C) firms supply more of a product as the price of the product rises.
D) firms supply more of a product as the price of the product falls.

72) Suppose that the quantity supplied of pizza exceeds the quantity demanded for pizza. We would expect that:
A) the price of pizza will increase.  B) the price of pizza will decrease.
C) the supply will decrease to meet the demand.  D) the demand will increase to meet the supply.
73) In the event of excess demand in the coffee market:
   A) the price of coffee will increase.
   B) the price of coffee will decrease.
   C) the supply of coffee will increase to meet the demand.
   D) the demand for coffee will decrease to meet the supply.

74) Suppose that a market for a product is in equilibrium at a price of $5 per unit. At any price above $5 per unit:
   A) there will be an excess demand for the product.
   B) there will be an excess supply of the product.
   C) the quantity supplied of the product will be greater than the quantity demanded of that product.
   D) both B and C

75) Figure 4.3 illustrates the supply and demand for blue jeans. If the actual price of blue jeans is $30, there is:
   A) excess demand of 40 pairs of blue jeans.
   B) excess supply of 40 pairs of blue jeans.
   C) excess demand of 50 pairs of blue jeans.
   D) excess supply of 50 pairs of blue jeans.

76) Figure 4.3 illustrates the supply and demand for blue jeans. If the actual price of blue jeans is $50, there is:
   A) excess demand of 40 pairs of blue jeans.
   B) excess supply of 40 pairs of blue jeans.
   C) excess demand of 50 pairs of blue jeans.
   D) excess supply of 50 pairs of blue jeans.
77) Judy demands more peanuts as her income increases. From this, we can conclude that, for Judy:
   A) peanuts are a normal good. B) peanuts are an inferior good.
   C) peanuts are a complementary good. D) peanuts are a substitute good.

78) Two goods are substitutes if:
   A) the supply of one good decreases when the price of the other increases.
   B) the supply of one good decreases when the price of the other decreases.
   C) the demand for one good decreases when the price of the other increases.
   D) the demand for one good decreases when the price of the other decreases.

79) Assume that butter and margarine are substitutes. When the price of butter increases:
   A) the demand for margarine increases. B) the demand for margarine decreases.
   C) the supply of margarine increases. D) the supply of margarine decreases.

80) Assume that compact discs and compact disc players are complements. When the price of compact disc players decreases:
   A) the demand for compact discs increases. B) the demand for compact discs decreases.
   C) the supply of compact discs increases. D) the supply of compact discs decreases.

81) Figure 4.4 illustrates the demand for guitars. An increase in the demand for guitars is represented by the movement from:
   A) point B to point C. B) point B to point A. C) D₁ to D₀. D) D₁ to D₂.

82) Figure 4.4 illustrates the demand for guitars. A decrease in the demand for guitars is represented by the movement from:
   A) point B to point C. B) point B to point A. C) D₁ to D₀. D) D₁ to D₂.
83) Figure 4.4 illustrates the demand for guitars. Assume guitars are a normal good. An increase in income would bring about a movement from:
   A) point B to point C.    B) point B to point A.    C) D₁ to D₀.    D) D₁ to D₂.

84) Assume that tortilla chips and salsa are complements. When the price of tortilla chips decreases:
   A) the demand for salsa increases.    B) the demand for salsa decreases.
   C) the supply of salsa decreases.    D) the demand for tortilla chips decreases.

85) If a technological advance makes it possible to produce bananas at a lower cost:
   A) the demand for bananas increases.    B) the demand for bananas decreases.
   C) the supply of bananas increases.    D) the supply of bananas decreases.

86) Figure 4.5 illustrates the supply of guitars. An increase in the supply of guitars is represented by a movement from:
   A) point B to point C.    B) point B to point A.    C) S₁ to S₀.    D) S₁ to S₂.

87) Figure 4.5 illustrates the supply of guitars. A decrease in the supply of guitars is represented by a movement from:
   A) point B to point C.    B) point B to point A.    C) S₁ to S₀.    D) S₁ to S₂.
88) Figure 4.6 illustrates a set of supply and demand curves for a product. When the economy moves from point A to point B there has been:
   A) an increase in supply and an increase in demand.
   B) an increase in supply and an increase in quantity demanded.
   C) an increase in quantity supplied and an increase in demand.
   D) an increase in quantity supplied and an increase in quantity demanded.

89) Figure 4.6 illustrates a set of supply and demand curves for a product. When the economy moves from point E to point A there has been:
   A) an increase in supply and an increase in demand.
   B) an increase in supply and an increase in quantity demanded.
   C) an increase in quantity supplied and an increase in demand.
   D) an increase in quantity supplied and an increase in quantity demanded.

90) Suppose that the Surgeon General releases a study suggesting that steak consumption increases the risk of cancer. We would predict that the equilibrium quantity of steak will ______ and the equilibrium price of steak will ______.
   A) rise; rise    B) rise; fall    C) fall; rise    D) fall; fall

91) Suppose that in October the price of a cup of cafe latte was $1.50 and 400 lattes were consumed. In November the price of a latte was $2.00 and 600 lattes were consumed. What might have caused this change?
   A) The price of tea (a substitute for cafe lattes) fell.
   B) The price of tea (a substitute for cafe lattes) rose.
   C) The price of coffee beans (an input of production of cafe lattes) rose.
   D) The price of coffee beans (an input of production of cafe lattes) fell.
92) The price elasticity of demand reflects the responsiveness of:  
A) firms to changes in demand.  
B) demand to a change in price of a substitute good.  
C) demand to a change in price.  
D) quantity demanded to a change in price.

93) If the price elasticity of demand is 0.5, this means that a _______ increase in price causes a _______ decrease in quantity demanded.  
A) 20%; 100%  
B) 20%; 10%  
C) 20%; 1%  
D) 5%; 1%

94) Suppose that in a month the price of coffee mugs increases from $1 to $2. At the same time, the quantity of coffee mugs demanded decreases from 100 to 80. The price elasticity of demand for coffee mugs (calculated using the initial value formula) is:  
A) 0.2.  
B) 0.5.  
C) 5.  
D) 20.

95) The price elasticity of supply is calculated by:  
A) the change in price divided by the change in quantity supplied.  
B) the change in quantity supplied divided by the change in price.  
C) the percentage change in price divided by the percentage change in quantity supplied.  
D) the percentage change in quantity supplied divided by the percentage change in price.

96) Suppose that in a month the price of movie rentals increases from $2 to $2.20. At the same time, the quantity of movie rentals supplied increases from 100 to 110. The price elasticity of supply for movie rentals (calculated using the initial value formula) is:  
A) 0.02.  
B) 0.2.  
C) 1.  
D) 50.

97) Catherine likes scones and eats them frequently. Catherine maximizes her utility from eating scones when:  
A) she runs out of money.  
B) her marginal benefit from eating scones is zero.  
C) she no longer values all the scones she eats more than the cost of purchasing them.  
D) the marginal benefit of a scone equals the marginal cost.

<table>
<thead>
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<tr>
<td>1</td>
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</table>

Table 7.2

98) Refer to Table 7.2, which gives the marginal utility from consuming bowls of oatmeal and waffles. The marginal utility of the third bowl of oatmeal consumed is:  
A) 2 utils.  
B) 4 utils.  
C) 6 utils.  
D) 18 utils.

99) Refer to Table 7.2, which gives the marginal utility from consuming bowls of oatmeal and waffles. The total utility from consuming three waffles is:  
A) 6 utils.  
B) 4 utils.  
C) 28 utils.  
D) 24 utils.
100) Refer to Table 7.2, which gives the marginal utility from consuming bowls of oatmeal and waffles. At which number of bowls of oatmeal will the marginal utility equal four?

A) 1  
B) 2  
C) 3  
D) 4

101) A consumer maximizes her utility by:

A) setting the marginal utility of product A equal to the marginal utility of product B.
B) setting the marginal utility of product A equal to the price of product A.
C) setting the marginal utility of product A divided by the price of product A equal to the marginal utility of product B divided by the price of product B.
D) setting the total utility of product A divided by the price of product A equal to the total utility of product B divided by the price of product B.

102) Suppose that the marginal utility of chicken divided by the price of chicken exceeds the marginal utility of fish divided by the price of fish. The consumer can always increase her utility by buying:

A) more chicken and less fish.  
B) less chicken and more fish.  
C) more of both goods.  
D) The consumer is already maximizing utility.

103) Zoe’s marginal utility of beer is 20 utils and her marginal utility of chips is 10 utils. The price of beer is $4 and the price of chips is $1, and Zoe is spending all of her money. Zoe can increase her utility by:

A) buying more of both goods.  
B) buying more beer and less chips.  
C) buying less beer and more chips.  
D) Zoe cannot increase her utility.

104) A decrease in a consumer’s budget set can be caused by:

A) an increase in prices.  
B) a decrease in prices.  
C) an increase in income.  
D) a change in preferences.

105) Increases in consumer income shift:

A) indifference curves to the left.  
B) indifference curves to the right.  
C) the budget line to the left.  
D) the budget line to the right.

106) A consumer maximizes utility by choosing:

A) a combination of goods such that the marginal rate of substitution is greater than the price ratio.  
B) a combination of goods such that the marginal rate of substitution is less than the price ratio.  
C) a combination of goods such that the marginal rate of substitution is equal to the price ratio.  
D) the highest indifference curve drawn on the indifference map.
MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) C
2) C
3) D
4) B
5) C
6) D
7) C
8) D
9) A
10) A
11) A
12) B
13) D
14) C
15) A
16) D
17) A
18) B
19) C
20) A
21) D
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29) B
30) D
31) C
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34) D
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36) D
37) B
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40) D
41) D
42) B
43) B
44) A
45) B
46) B
47) D
48) C
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101) C
102) A
103) C
104) A
105) D
106) C