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

1) Utility is best defined as
   A) the price of a good.
   B) the practical usefulness of a good.
   C) the satisfaction from consuming a good.
   D) the amount one is willing to pay for a good.

2) Sarah can consume either pizzas or hamburgers. The price of a hamburger is $1 and the price of a pizza is $5. Let MU_h be the marginal utility of hamburgers and MU_p be the marginal utility of pizzas. In consumer equilibrium, the ratio MU_h / MU_p must equal
   A) 0.2.
   B) 5.0.
   C) 1.0.
   D) infinity.

3) Jennifer consumes both apples and bread. Let P_a be the price of an apple and P_b the price of a loaf of bread. TU_a is her total utility from apples and TU_b her total utility from bread. MU_a is her marginal utility from apples and MU_b her marginal utility from bread. When Jennifer is in consumer equilibrium,
   A) MU_a / TU_a = MU_b / TU_b.
   B) MU_a / P_a = MU_b / P_b.
   C) TU_a / P_b = TU_b / P_b.
   D) MU_a / P_a = MU_b / P_b.

4) Normally, as the quantity of a good consumed increases, marginal utility
   A) decreases and total utility increases.
   B) decreases and total utility decreases.
   C) increases and total utility increases.
   D) increases and total utility decreases.

5) Lynette’s marginal utility per dollar spent on tacos and shakes is shown in Figure 8.2. Lynette should consume
   A) more tacos than shakes.
   B) more shakes than tacos.
   C) the same amount of tacos and shakes.
   D) where MUs/Ps is maximized.

6) Gil can consume either pens or milkshakes. Both pens and milkshakes sell for $1. Gil figures that when his income is spent, his marginal utility of pens will be 10 while his marginal utility of milkshakes will be 8. Gil could increase his utility by consuming
   A) more pens and more milkshakes.
   B) more pens and fewer milkshakes.
   C) fewer pens and fewer milkshakes.
   D) fewer pens and more milkshakes.
7) On a graph with apples per week on the vertical axis and loaves of bread per week on the horizontal, Tami’s budget constraint has a vertical intercept of 40 and a horizontal intercept of 20. When Tami is in consumer equilibrium, the ratio of her 
   A) total utility from apples to her total utility from bread will be 1/2.
   B) marginal utility from apples to her marginal utility from bread will be 1/2.
   C) average utility from apples to her average utility from bread will be 1/2.
   D) average utility from apples to her average utility from bread will be 1/1.

8) Lisa finds that the marginal utility from a compact disc is 30 and the marginal utility from a cassette is 10. The price of a compact disc is $15 and the price of a cassette is $5. Lisa should 
   A) decrease the price of cassettes.
   B) increase her consumption of compact discs.
   C) increase her consumption of cassettes.
   D) not change her consumption of cassettes and compact discs.

9) Geneva is not at her consumer equilibrium for movies and CDs. Why? 
   A) Her total utility from movies does not equal her average utility from CDs.
   B) Her marginal utility from the last movie she selected does not equal her marginal utility from the last CD selected.
   C) Her marginal utility from the last dollar spent for movies does not equal her marginal utility from the last dollar spent for CDs.
   D) Her average utility from movies does not equal her average utility from CDs.

10) Usharani consumes 35 apples a week and 14 loaves of bread. Apples cost $1 each and bread costs $2 per loaf. Usharani’s marginal utility from his 35th apple 
    A) equals his marginal utility from his 14th loaf of bread.
    B) is such that his total utility from apples equals his total utility from bread.
    C) is twice his marginal utility from his 14th loaf of bread.
    D) is half his marginal utility from his 14th loaf of bread.

11) As consumption of a good decreases, total utility 
    A) increases and marginal utility decreases.
    B) decreases and marginal utility decreases.
    C) increases and marginal utility increases.
    D) decreases and marginal utility increases.

12) Kumiko is not at her consumer equilibrium. She sees too many movies and buys too few books. As she moves toward her consumer equilibrium, her marginal utility from movies will 
    A) decrease. So will her marginal utility from books.
    B) decrease, but her marginal utility from books will increase.
    C) increase, but her marginal utility from books will decrease.
    D) increase. So will her marginal utility from books.

13) If income is fully spent and the marginal utility per dollar spent is equal for all goods, then 
    A) marginal utility is maximized.
    B) total utility is maximized.
    C) the proportion of income spent on each good must be equal.
    D) a consumer could not be better off even with greater income.
### Table 8.1

<table>
<thead>
<tr>
<th>Bags of popcorn</th>
<th>Marginal utility</th>
<th>Bottles of soda</th>
<th>Marginal utility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100</td>
<td>1</td>
<td>60</td>
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<tr>
<td>2</td>
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<td>3</td>
<td>30</td>
</tr>
<tr>
<td>4</td>
<td>50</td>
<td>4</td>
<td>20</td>
</tr>
</tbody>
</table>

14) Refer to Table 8.1. If Brent maximizes his utility by consuming 3 bags of popcorn and 3 bottles of soda, then the ratio of the price of popcorn to the price of soda must be:


15) Let $MU_a$ and $MU_b$ stand for the marginal utilities of apples and bagels. Let $P_a$ and $P_b$ stand for their prices. The necessary condition for consumer equilibrium is:

A) $MU_a = MU_b$ and $P_a = P_b$.  B) $MU_a = MU_b$.
C) $MU_a /MU_b = P_b /P_a$.
D) $MU_a /MU_b = P_a /P_b$.

16) Let $MU_a$ and $MU_b$ stand for the marginal utilities of apples and bagels. Let $P_a$ and $P_b$ stand for their prices. The general necessary condition for consumer equilibrium is:

A) $MU_a = MU_b$.
B) $MU_a = MU_b$ and $P_a = P_b$.
C) $MU_a /MU_b = P_b /P_a$.
D) $MU_a /P_a = MU_b /P_b$.

17) Total utility is maximized when:

A) marginal utilities are all zero.
B) marginal utilities are all maximized.
C) the marginal utility per dollar spent is equal for all goods.
D) marginal utilities are all negative.

18) To maximize total utility, a consumer equates:

A) the marginal utility per dollar spent on each good.
B) the marginal utility from each good.
C) the total utility from each good.
D) the total utility per dollar spent on each good.

19) Salina spends all her income on movies and soda. Movies cost $6 each and sodas cost $0.50 a can. In a diagram with movies on the horizontal axis and sodas on the vertical axis, the slope of Salina’s budget line is:

A) ~3 sodas per movie.  B) ~12 sodas per movie.
C) ~12 movies per soda.  D) ~3 movies per soda.

20) Dean spends all his income on movies and soda. Movies cost $6 each and sodas cost $0.50 a can. In a diagram with movies on the horizontal axis and sodas on the vertical axis, Dean’s budget line:

A) has constant negative slope.  B) becomes steeper to the right.
C) becomes shallower to the right.  D) has constant positive slope.
21) Diminishing marginal utility means that
   A) Ralph will enjoy his second hamburger less than the first.
   B) the price of two hamburgers is less than twice the price of one.
   C) the utility from one hamburger exceeds the utility from two hamburgers.
   D) beyond a certain point, total utility decreases as income rises.

22) When consumption of a good is increasing, eventually marginal utility will
   A) approach total utility.
   B) decrease.
   C) remain unchanged.
   D) increase.

23) In Figure 8.1, marginal utility is shown as
   A) the height of a curve at a given point.
   B) the slope of a curve at a given point.
   C) the slope of a ray from the origin to a given point on a curve.
   D) the distance between two curves at a given quantity.

24) Marginal utility theory applied to goods is used in the derivation of the
   A) positive slope of demand curves.
   B) negative slope of demand curves.
   C) negative slope of supply curves.
   D) positive slope of supply curves.

25) Negatively sloped individual demand curves result directly from
   A) increasing marginal utility.
   B) constant marginal utility.
   C) negative marginal utility.
   D) decreasing marginal utility.

26) Pam buys only thread and fabric, and she buys the quantities that maximize her utility. Her marginal utility from a spool of thread is 30 units and her marginal utility from a yard of fabric is 60 units. If the price of a spool of thread is $4, then you are sure that the price of a yard of fabric is ______.
   A) $8
   B) $12
   C) $4
   D) $2
27) Bobby consumes only chocolate ice cream and vanilla ice cream. He is spending all of his income. His marginal utility of chocolate is 100 and his marginal utility of vanilla is 200, and the price of chocolate is $1.00 per scoop and the price of vanilla is $2.00 per scoop. To maximize his utility, Bobby should
   A) buy more vanilla ice cream and less chocolate ice cream.
   B) buy more chocolate ice cream and less vanilla ice cream.
   C) not change his purchases between chocolate ice cream and vanilla ice cream.
   D) buy no chocolate ice cream.

28) Bobby consumes only chocolate ice cream and vanilla ice cream. He is spending all of his income. His marginal utility of chocolate is 200 and his marginal utility of vanilla is 200, and the price of chocolate is $1.00 per scoop and the price of vanilla is $2.00 per scoop. To maximize his utility, Bobby should
   A) buy more chocolate ice cream and less vanilla ice cream.
   B) buy more vanilla ice cream and less chocolate ice cream.
   C) not change his purchases between chocolate ice cream and vanilla ice cream.
   D) buy no vanilla ice cream.

29) Sam spends all of his income on textbooks and hot dogs. The price of a textbook is $40 and the price of a hot dog is $0.50. If Sam is maximizing his utility and the marginal utility he derives from the last textbook he purchases is 400, then the marginal utility he derives from his last hot dog purchased must be
   A) 5.
   B) 20.
   C) 400.
   D) 10.

30) Fred spends all of his income on two goods: DVDs and downloaded music. If Fred's marginal utility per dollar from DVDs is greater than his marginal utility per dollar from downloaded music, Fred can _______ his total utility by buying _______.
   A) increase; more downloaded music and fewer DVDs
   B) maximize; fewer DVDs and less downloaded music
   C) increase; more DVDs and less downloaded music
   D) maximize; more DVDs and more downloaded music
31) Lynette’s marginal utility per dollar spent on tacos and shakes is shown in Figure 8.2. At point E, Lynette is
A) consuming too many tacos and not enough shakes.
B) consuming too many shakes and too many tacos.
C) consuming too many shakes and not enough tacos.
D) maximizing her utility.

32) Refer to Figure 8.3. Cameron’s marginal utility per dollar spent curves are given for tacos and shakes. Cameron should consume
A) neither tacos nor shakes.
B) only shakes and no tacos.
C) both tacos and shakes.
D) only tacos and no shakes.
33) Lynette's marginal utility per dollar spent on tacos and shakes is shown in Figure 8.2. The figure implies that if the price of tacos is $2, then when Lynette is in consumer equilibrium, her marginal utility
   A) from a taco is 4 units of utility. B) from a shake is 4 units of utility.
   C) from a shake is 16 units of utility. D) from a taco is 16 units of utility.

34) Lynette’s marginal utility per dollar spent on tacos and shakes is shown in Figure 8.2. If the price of a taco is $2 and the price of a shake is $1, then Lynette’s
   A) total utility from tacos is twice as much as her total utility from shakes.
   B) marginal utility from tacos is twice as much as her marginal utility from shakes.
   C) marginal utility from tacos is half as much as her marginal utility from shakes.
   D) total utility from tacos is half as much as her total utility from shakes.

35) When jewelers inform us that the proper way for a man to declare his feeling for a woman is to use two months’ income to buy her a diamond, rather than purchase, say, furniture for their apartment, the jewelers are trying to raise the
   A) consumption of diamonds to the point where their marginal utility becomes zero.
   B) ratio of the price of diamonds to the marginal utility of the last diamond consumed.
   C) marginal utility of consuming diamonds at each level of consumption.
   D) price elasticity of demand for diamonds.

36) A behavioral economist will explain Tom’s donation to charity by saying that Tom is displaying _______.
   A) bounded rationality B) bounded self-interest
   C) the endowment effect D) bounded will power

37) Suppose that Richard has just told you that he would not pay more than $100 dollars for one of his favorite baseball cards. You offer to give him $110 dollars for his card and he refuses. What consumer choice theory or effect explains this result?
   A) bounded will power B) bounded rationality
   C) bounded self-interest D) the endowment effect

38) If Sean thinks that the choice between going to Olive Garden or Red Lobster is simply too confusing, a behavioral economist will explain that Sean is showing _______.
   A) bounded self-interest B) the endowment effect
   C) bounded will power D) bounded rationality
39) Neuroeconomics is
   A) the study of how people behave when they face scarcity.
   B) the study of how people make decisions at the margin.
   C) the study of situations in which people act economically irrationally.
   D) the study of the activity of a human brain when the person makes economic decision.

40) Gene plays another hour of computer games rather than study for the hour even though he knows that the next day, when he takes his test, he will regret his decision. Gene is showing
   ________.
   A) bounded rationality
   B) bounded self-interest
   C) the endowment effect
   D) bounded will power