Household Consumption Choices

Topic: Consumption Possibilities
Skill: Recognition
1) The level of utility a consumer can achieve is limited by
   A) prices only.
   B) income only.
   C) the consumer’s preferences.
   D) prices and income.
Answer: D

Topic: Consumption Possibilities
Skill: Recognition
2) The budget line
   A) identifies affordable bundles.
   B) identifies preferred bundles.
   C) identifies the maximum utility which can be achieved from consumption.
   D) identifies the satisfaction received from consumption.
Answer: A

Topic: Consumption Possibilities
Skill: Analytical
3) Ernie has an income of $40 which he plans to spend on cookies and milk. The price of milk is $1 per gallon, and the price of cookies is $2 per dozen. If Ernie buys 12 gallons of milk, how many dozens of cookies will he buy if he spends all of his income?
   A) 28
   B) 20
   C) 14
   D) 12
Answer: C

Topic: Consumption Possibilities
Skill: Conceptual
4) Joe has $50 to spend on pizza and movies. If movies are $5 each and a pizza is $10, assuming he spends all his money, he can buy
   A) 6 movies and 2 pizzas.
   B) 8 movies and 4 pizzas.
   C) 2 movies and 6 pizzas.
   D) 6 movies and 4 pizzas.
Answer: A

Topic: Consumption Possibilities
Skill: Conceptual
5) Lily is a college student who likes to buy only two goods: Cheetos and Pepsi. To determine Lily’s budget line, you need to know
   I. Lily’s preferences for Cheetos and Pepsi.
   II. The prices of Cheetos and Pepsi.
   III. Lily’s income.
   A) II only.
   B) I and II.
   C) II and III.
   D) I, II and III.
Answer: C

Topic: Consumption Possibilities
Skill: Conceptual
6) Lily is a college student who likes to buy only two goods: Cheetos and Pepsi. Her utility for these two goods depends on
   I. Lily’s preferences for Cheetos and Pepsi.
   II. The prices of Cheetos and Pepsi.
   III. Lily’s income.
   A) II only.
   B) I and II.
   C) I only.
   D) I and III.
Answer: C
7) Suppose Sam plans to buy only popcorn and soda. He has $40 to spend per week. A change in which of the following variables will change Sam’s consumption possibilities?

I. price of popcorn.
II. income.
III. preferences.
IV. utility.
A) II only.
B) I and II.
C) I, II and III.
D) III and IV.
Answer: B

8) 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) becomes steeper to the right.
B) becomes shallower to the right.
C) has a constant positive slope.
D) has constant negative slope.
Answer: D

9) Tonya, who is rich, and Jerome, who is poorer, both buy orange juice and croissants for lunch at the student cafeteria. Their budget constraints on a diagram with orange juice on the vertical axis and croissants on the horizontal axis have the same

A) horizontal intercepts.
B) vertical intercepts.
C) slopes.
D) midpoints.
Answer: C

10) Jordan has two goods that he consumes this week. He can choose to go to the arcade and play video games or he can purchase baseball cards. The price of each video game is $.50 and each pack of baseball cards is $1. Jordan will spend all his allowance this week on these two goods. Jordan’s consumption possibilities are listed in the table above. What is the amount of Jordan’s allowance?

A) $10
B) $5
C) $15
D) $50
Answer: B

11) Jordan has two goods that he consumes this week. He can choose to go to the arcade and play video games or he can purchase baseball cards. The price of each video game is $.50 and each pack of baseball cards is $1. Jordan will spend all his allowance this week on these two goods. Jordan’s consumption possibilities are listed in the table above. For Jordan, what is the opportunity cost of moving from consumption possibility D to E?

A) One set of baseball cards
B) Three sets of baseball cards
C) Four video games
D) Two video games
Answer: D
12) Jordan has two goods that he consumes this week. He can choose to go to the arcade and play video games or he can purchase baseball cards. The price of each video game is $0.50 and each pack of baseball cards is $1. Jordan will spend all his allowance this week on these two goods. Jordan’s consumption possibilities are listed in the table above. Which of the following combinations of video games and baseball cards is not attainable for Jordan?

A) 10 video games and 3 sets of baseball cards
B) 8 video games and 1 set of baseball cards
C) 0 video games and 5 sets of baseball cards
D) 3 video games and 3 sets of baseball cards

Answer: A

13) Given the budget line in the above figure, if income is $60, then the price of a pizza is ____ and the price of a CD is ____.

A) $5; $20
B) $6; $4
C) $15; 15
D) $10; $15

Answer: D

14) According to the budget line in the above figure, which of the following combinations is unaffordable?

A) 1 pizza and 3 CDs
B) 3 pizzas and 2 CDs
C) 2 pizzas and 4 CDs
D) All of the above are affordable.

Answer: C

15) Based on the above figure showing a budget line, which of the following combinations of soda and bottled water are not affordable?

A) 3 bottles of water and 4 cans of soda.
B) 4 bottles of water and 2 cans of soda.
C) 2 bottles of water and 6 cans of soda.
D) None of the above, that is, all the combinations listed are affordable.

Answer: C
**Topic: Consumption Possibilities**  
**Skill: Analytical**

16) In the above figure, if income is $45.00, the price of hamburgers is $1.50, and the price of gasoline is $1.00, then which is the correct budget line?

A) F  
B) G  
C) H  
D) I  

**Answer: C**

**Topic: Consumption Possibilities**  
**Skill: Conceptual**

17) Joe has $50, which he spends on movies and pizza. If the price of a pizza falls, Joe can

A) consume more of both goods.  
B) consume more pizza only if he gives up some movies.  
C) consume more movies only if he gives up some pizza.  
D) consume more pizza only.  

**Answer: A**

**Topic: Preferences**  
**Skill: Recognition**

18) Utility is best defined as

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

**Answer: C**

**Topic: Preferences**  
**Skill: Recognition**

19) Utility can best be described as

A) a concept that can be derived from a demand curve.  
B) a testable hypothesis about the level of happiness achieved from consumption of goods.  
C) an abstract concept useful for obtaining predictions about human behavior.  
D) the units that measure a person’s income.  

**Answer: C**

**Topic: Total Utility**  
**Skill: Recognition**

20) Which of the following is NOT an assumption of marginal utility theory?

A) A consumer derives utility from the goods consumed.  
B) Each additional unit of consumption yields additional utility.  
C) Consumers maximize their total utility.  
D) As more of a good is consumed, the decrease in the marginal utility from the good means that the total utility from the good decreases also.  

**Answer: D**

**Topic: Total Utility**  
**Skill: Recognition**

21) As Sean’s consumption of rice goes up, his

A) average utility from consuming rice increases.  
B) total utility from consuming rice increases.  
C) marginal utility from consuming rice increases.  
D) elasticity of utility from consuming rice increases.  

**Answer: B**

**Topic: Preferences, Total Utility**  
**Skill: Recognition**

22) If you calculated all of the benefit you enjoy from drinking coffee, this measure would be called

A) your marginal utility of coffee.  
B) your marginal utility per dollar spent on coffee.  
C) your total utility from coffee.  
D) your total utility per dollar spent on coffee.  

**Answer: C**
23) As an individual’s consumption of a good increases, 
   A) his or her total utility increases. 
   B) his or her marginal utility increases. 
   C) the price of the good increases. 
   D) All of the above answers are correct. 
   Answer: A

24) Marginal utility 
   A) characterizes things of little use. 
   B) is the additional utility derived from the last unit of a good consumed. 
   C) is an implication of the law of demand. 
   D) is always negative when total utility is positive and positive when total utility is negative. 
   Answer: B

25) Diminishing marginal utility is 
   A) an assumption of utility theory. 
   B) an implication of utility theory. 
   C) a result of the law of supply. 
   D) a result of the law of demand. 
   Answer: A

26) Diminishing marginal utility means that 
   A) Ralph will enjoy his second hamburger less than the first. 
   B) the total utility from one hamburger exceeds the total utility from two hamburgers. 
   C) the price of two hamburgers is twice the price of one. 
   D) beyond a certain point, total utility decreases as income rises. 
   Answer: A

28) The above table gives the total utility that Homer obtains from consuming various quantities of chocolate chip cookies. The marginal utility from the fifth pound of cookies is 
   A) 1. 
   B) 2. 
   C) 3. 
   D) 15. 
   Answer: A

29) The above table gives the total utility that Homer obtains from consuming various quantities of chocolate chip cookies. The marginal utility from the third pound of cookies is 
   A) 3. 
   B) 4. 
   C) 9. 
   D) 12. 
   Answer: A

30) In the table above, which of the following is true? 
   A) Jim and Sally have increasing marginal utility. 
   B) Jim has increasing marginal utility and Sally has diminishing marginal utility. 
   C) Jim has diminishing marginal utility and Sally has increasing marginal utility. 
   D) Jim and Sally have diminishing marginal utility. 
   Answer: D
31) In the figure above, diminishing marginal utility is shown by
A) total utility curve A.
B) total utility curve B.
C) total utility curve C.
D) all three curves.
Answer: C

32) In the figure above, the curve that shows the diminishing marginal utility is
A) total utility curve A because it gets steeper.
B) total utility curve A because it is higher than total utility curves B or C.
C) total utility curve C because it gets flatter.
D) total utility curve C because it is lower than total utility curves B and C.
Answer: C

33) In the figure above, the marginal utility of the third crate of tomatoes for the person with total utility curve C is
A) 13 units of utility.
B) 16 units of utility.
C) 32 units of utility.
D) 45 units of utility.
Answer: A

34) As consumption of a good decreases, its marginal utility ____ and its total utility ____.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases
Answer: B

35) As the quantity of a good consumed increases, its marginal utility ____ and its total utility ____.
A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases
Answer: C

36) The above table gives some of Tammy’s total and marginal utilities from comedy videos. Which of the following statements is true?
A) Tammy’s marginal utility from the third comedy video is 150.
B) Tammy’s total utility from five comedy videos is 800.
C) Tammy’s marginal utility is higher from the first comedy video than from the third comedy video.
D) All of the above answers are correct.
Answer: D
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<th>Box of doughnuts</th>
<th>Homer’s total utility</th>
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**Topic: Total Utility and Marginal Utility**  
**Skill: Conceptual**

37) The above table shows Homer’s total utility from boxes of doughnuts. As Homer’s consumption of doughnuts increases,

A) both his total utility and his marginal utility increase.
B) his total utility increases, but his marginal utility decreases.
C) his total utility decreases, but his marginal utility increases.
D) both his total utility and his marginal utility decrease.

**Answer: B**

**Topic: Total Utility and Marginal Utility**  
**Skill: Conceptual**

38) The above table shows Homer’s utility from boxes of doughnuts. If Homer decreases his consumption of doughnuts from 4 boxes to 3 boxes, his

A) total utility and marginal utility will both decrease.
B) total utility will decrease, but his marginal utility will increase.
C) total utility will increase, but his marginal utility will decrease.
D) total utility and marginal utility will both increase.

**Answer: B**

39) The above table shows Homer’s utility from boxes of doughnuts. The marginal utility that Homer receives from the third box of doughnuts is equal to

A) 75.
B) 25.
C) 20.
D) 3.

**Answer: C**

40) The above table shows Homer’s utility from boxes of doughnuts. As Homer’s consumption of doughnuts increases, his

A) marginal utility is positive and increasing.
B) marginal utility is positive but decreasing.
C) marginal utility is negative but increasing.
D) marginal utility is negative and decreasing.

**Answer: B**

<table>
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<tr>
<th>Quantity of magazines</th>
<th>Marginal utility from magazines</th>
<th>Quantity of gummy bears</th>
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**Topic: Total Utility and Marginal Utility**  
**Skill: Analytical**

41) Kelly’s marginal utilities for magazines and packages of gummy bears are listed in the table above. For Kelly, what is the total utility received from consuming 5 magazines?

A) 5
B) 20
C) 25
D) 255

**Answer: D**

**Topic: Marginal Utility**  
**Skill: Analytical**

42) Kelly’s marginal utilities for magazines and packages of gummy bears are listed in the table above. What is the extra utility received by Kelly when she decides to consume 3 packages of gummy bears instead of 2 packages?

A) 20
B) 160
C) 180
D) 540

**Answer: B**
<table>
<thead>
<tr>
<th>Quantity of magazines</th>
<th>Total utility from magazines</th>
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<th>Quantity of CDs</th>
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<td>8</td>
<td>1875</td>
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</table>

**Topic: Marginal Utility**  
**Skill: Conceptual**

43) The table above gives Jane’s total utility from magazines and CDs. What is the marginal utility of Jane’s sixth magazine?

A) 80 units.  
B) 60 units.  
C) 36 units.  
D) 15 units.

**Answer: C**

44) The table above gives Jane’s total utility from magazines and CDs. What is the marginal utility of the sixth CD?

A) 150 units.  
B) 100 units.  
C) 50 units.  
D) 5 units.

**Answer: C**

**Topic: Diminishing Marginal Utility**  
**Skill: Conceptual**

45) The table above gives Jane’s total utility from magazines and CDs. The price of a magazine is $4 and the price of a CD is $10. Which of the following correctly illustrates the principle of diminishing marginal utility? The fact that

A) the sixth magazine has less marginal utility than the sixth CD.  
B) Jane’s marginal utility per dollar for the second magazine is the same as her marginal utility per dollar for the third CD.  
C) the marginal utility per dollar spent on the sixth magazine is less than the total utility from six magazines.  
D) the marginal utility of the third CD is less than the marginal utility of second CD.

**Answer: D**

46) According to the principle of diminishing marginal utility, as the quantity of a good or service consumed increases, total utility

A) increases.  
B) decreases.  
C) is unchanging.  
D) is zero.

**Answer: A**

**Maximizing Utility**

**Topic: Maximizing Utility**  
**Skill: Conceptual**

47) Lily is a college student who likes to buy only two goods: Cheetos and Pepsi. To determine how Lily can maximize her utility from consuming Cheetos and Pepsi, you need to know

I. Lily’s preferences for Cheetos and Pepsi.  
II. The prices of Cheetos and Pepsi.  
III. Lily’s income.

A) I only.  
B) I and II.  
C) II and III.  
D) I, II and III.

**Answer: D**
Topic: The Utility-Maximizing Choice  
Skill: Recognition  
48) Fred’s consumer equilibrium occurs whenever  
A) he spends all of his income.  
B) he allocates his income such that his utility is 
maximized.  
C) the slopes of all of his demand curves are equal.  
D) he purchases the goods he needs.  
Answer: B

Topic: The Utility-Maximizing Choice  
Skill: Conceptual  
49) Which of the following occur when a person 
maximizes utility?  
I. the marginal utility of each good bought is 
equal  
II. the highest level of utility is attained  
III. all of a person’s budget is spent  
A) I and II.  
B) I and III.  
C) II and III.  
D) I, II and III.  
Answer: C

Topic: The Utility-Maximizing Choice  
Skill: Conceptual  
50) Suppose that Freda receives $500 as income each 
week. If she spends the $500 each week and 
equalizes the marginal utility per dollar that she 
spends,  
A) Freda is at a consumer equilibrium.  
B) Freda is maximizing her total utility.  
C) Freda’s total utility will decline.  
D) Freda will reduce her marginal utility.  
Answer: A

Topic: The Utility-Maximizing Choice  
Skill: Conceptual  
51) When Ramona is in consumer equilibrium,  
A) her total utilities of all goods are equal.  
B) she is maximizing her utility, given her income and 
the prices of goods and services.  
C) her total utility per dollar spent is equal for all 
goods.  
D) any change in prices would make her worse off.  
Answer: B

<table>
<thead>
<tr>
<th>Apples</th>
<th>Tacos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity</td>
<td>Total utility</td>
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Topic: Utility-Maximizing Choice  
Skill: Analytical  
52) Sally derives utility from consuming apples and 
tacos as shown in the table above. Apples cost $1 
each and tacos cost $2 each. If Sally’s income is 
$9, she will consume  
A) 5 apples and 2 tacos.  
B) 3 apples and 3 tacos.  
C) 1 apple and 4 tacos.  
D) no apples and 4 1/2 tacos.  
Answer: B

Topic: Equalizing Marginal Utility per Dollar Spent  
Skill: Recognition  
53) A consumer has maximized his or her utility by 
consuming  
A) at the midpoint of the budget constraint line.  
B) at the midpoint of the demand curve.  
C) so that the total utility of all goods consumed is 
the same.  
D) so that the ratio of marginal utility to price is the 
same for all goods consumed.  
Answer: D

Topic: Equalizing Marginal Utility per Dollar Spent  
Skill: Recognition  
54) Total utility is maximized when  
A) the marginal utility per dollar spent is equal for 
all goods.  
B) the marginal utilities are all zero.  
C) the marginal utilities are all maximized.  
D) the marginal utilities are all negative.  
Answer: A
As long as the marginal utility per dollar spent on pizza is greater than the marginal utility per dollar spent on soda, then to maximize utility a consumer will buy
A) more soda to equalize the marginal utility per dollar between soda and pizza.
B) less pizza.
C) more pizza so total utility will increase.
D) equal amounts of pizza and soda.
Answer: C

To maximize total utility, a consumer equates
A) the total utility from each good.
B) the marginal utility from each good.
C) the marginal utility per dollar spent on each good.
D) the total utility per dollar spent on each good.
Answer: C

According to marginal utility theory, consumers
A) maximize total utility and minimize marginal utility.
B) equalize marginal utility per dollar spent on different goods.
C) must save part of their income for future consumption.
D) spend the most on the least expensive good.
Answer: B

Suppose the price of a soda is $2 each, the price of a hot dog is $3 each and the budget is $20. If the marginal utility of the fourth soda is 100 and the marginal utility of the fourth hot dog is 150, to maximize utility, a person will buy
A) 4 sodas and 4 hot dogs.
B) more hot dogs than 4 and fewer sodas than 4 because hot dogs provide more utility.
C) buy more sodas than 4 to increase their utility.
D) fewer sodas than 4 and more hot dogs than 4.
Answer: A

Geneva is definitely not at her consumer equilibrium for movies and compact discs if her
A) average utility from movies does not equal her average utility from compact discs.
B) total utility from movies does not equal her average utility from compact discs.
C) marginal utility from the last movie she selected does not equal her marginal utility from the last compact disc selected.
D) marginal utility from the last dollar spent for movies does not equal her marginal utility from the last dollar spent for compact discs.
Answer: D

If a consumer spends all of his or her income and the marginal utility per dollar spent is equal for all goods, then
A) marginal utility is maximized.
B) total utility is maximized.
C) a consumer could not be better off even with greater income.
D) the proportion of income spent on each good must be equal.
Answer: B

Brian consumes only pizza and soda. When the price of a soda is $2 and the price of a slice of pizza is $4, Brian maximizes his utility by buying 5 sodas and 10 slices of pizza. If the marginal utility of the 5th soda is 100 units of utility, then the marginal utility of the 10th slice of pizza must be ___ units of utility.
A) 200
B) 100
C) 50
D) More information is needed to determine the marginal utility of the 10th slice of pizza.
Answer: A
62) Suppose the price of soda is $2 each and the price of a pizza slice is $4 each. Jean maximizes utility and buys only sodas and slices of pizza. If the price of a soda increases to $3 each, Jean’s marginal utility per soda
A) will increase and she’ll buy more soda.
B) will decrease and she’ll buy fewer sodas.
C) will decrease and she’ll buy more pizza.
D) both B and C are correct.
Answer: D

<table>
<thead>
<tr>
<th>Bags of popcorn</th>
<th>Bottles of sodas</th>
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<tbody>
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<td>3</td>
<td>60</td>
</tr>
<tr>
<td>4</td>
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</tbody>
</table>

63) In the table above, 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
A) 1/2.
B) 5/6.
C) 6/5.
D) 2.
Answer: D

64) Jenny buys sodas and popcorn. Sodas sell for $1 and popcorn sells for $2 a bag. Currently she is in consumer equilibrium, with the marginal utility from her last dollar spent on popcorn equal to 100 units of utility. The marginal utility from her last dollar spent on sodas is
A) 20 units of utility.
B) 30 units of utility.
C) 50 units of utility.
D) 100 units of utility.
Answer: C

65) 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) $MU_a / P_a = MU_b / P_b$.
D) $MU_a / P_a = MU_b / P_b$.
Answer: C

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

67) Suppose Hank spends his entire budget buying 2 bagels and 3 cups of coffee each day. Also, suppose the marginal utility of the second bagel is 100 and the marginal utility of the third cup of coffee is 200. Which of the following statements is true?
A) Hank is not maximizing his utility.
B) Hank will be maximizing his utility as long as the price of a cup of coffee is twice the price of a bagel.
C) Hank might be maximizing utility only if the price of a cup of coffee is less than the price of a bagel.
D) Hank is not maximizing utility because he is not buying equal amounts of each good.
Answer: B
68) Suppose Hanna spends her entire budget buying bagels and cups of coffee each day. Also, suppose the marginal utility of her last bagel is 100 and the marginal utility of her last cup of coffee is 200. If the price of a bagel is $4 and the price of a cup of coffee is $2, then
A) Hanna needs to decrease her consumption of bagels to maximize her utility.
B) Hanna needs to increase her consumption of bagels to maximize her utility.
C) Hanna should buy half as many bagels as coffee in order to maximize her utility.
D) bagels must provide more total utility than coffee.
Answer: A

69) Sarah consumes pizzas and hamburgers. The price of a hamburger is $1 and the marginal utility from her last hamburger is 5. Let $P_p$ be the price of a pizza and $MU_p$ be the marginal utility of pizzas. In consumer equilibrium, the ratio $MU_p / P_p$ for Sarah’s last pizza must equal
A) 0.2.
B) 1.0.
C) 5.0.
D) infinity.
Answer: C

70) 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 $TU_b$ is her total utility from bread. $MU_a$ is her marginal utility from apples and $MU_b$ is 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) $MU_a / P_a = MU_b / P_b$
D) $TU_a / P_a = TU_b / P_b$
Answer: C

71) If the price of pizza increases, the effect of the price hike is that
A) the marginal utility per dollar spent on pizza will increase.
B) the marginal utility per dollar spent on pizza will decrease.
C) the marginal utility per dollar spent on pizza will not change.
D) a person’s preferences for pizza will change.
Answer: B

72) George spends all his income on sandwiches and juice. George’s utility is maximized when he is consuming sandwiches and juice so that the
A) marginal utility from sandwiches equals the marginal utility from juice.
B) total utility from sandwiches equals the total utility from juice.
C) marginal utility per dollar spent on sandwiches equals the marginal utility per dollar spent on juice.
D) marginal utility from sandwiches is at a maximum.
Answer: C

73) Which of the following equations represents consumer equilibrium based on the principle of equalizing marginal utilities per dollar spent?
A) Marginal utility from good A = marginal utility from good B
B) Price of good A = price of good B
C) Marginal utility from good A/price of good A = marginal utility of good B/price of good B
D) Total utility from good A = total utility from good B
Answer: C
74) Sarah consumes only strawberries and cream, and she is spending all of her income. Her marginal utility of her last dish of strawberries is 200 and her marginal utility of her last pint of cream is 200. The price of strawberries is $1.00 per dish and the price of cream is $2.00 per pint. To maximize her utility, Sarah should
A) buy more strawberries and less cream.
B) buy more cream and less strawberries.
C) not change her purchases of strawberries and cream.
D) definitely buy no cream at her consumer equilibrium.
Answer: A

75) Michelle spends all of her income on mangos and rice. Mangos cost $2 per pound and rice costs $1.50 per pound. If Michelle is spending all of her income and the marginal utility per dollar spent is 20 for the last pound of mangos purchased and 10 for the last pound of rice purchased, then
A) Michelle is maximizing utility from her present consumption bundle.
B) Michelle should buy more rice and fewer mangos in order to maximize utility.
C) Michelle should buy more mangos and less rice to maximize utility.
D) None of the above answers is correct.
Answer: C

76) Joe consumes pizza and movies. He is currently spending his entire income and his marginal utility of pizza is 10 and his marginal utility of movies is 5. If the price of a pizza is $10 and the price of a movie is $5, then to maximize his utility Joe should
A) increase consumption of pizza and decrease consumption of movies.
B) increase consumption of movies and decrease consumption of pizza.
C) stick with his current bundle.
D) increase consumption of both goods.
Answer: C

77) Joe consumes pizza and movies. He is currently spending his entire income and his marginal utility of pizza is 15 and his marginal utility of movies is 10. If the price of a pizza is $10 and the price of a movie is $5, then to maximize his utility Joe should
A) increase consumption of pizza and decrease consumption of movies.
B) increase consumption of movies and decrease consumption of pizza.
C) stick with his current bundle.
D) increase consumption of both goods.
Answer: B

78) 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) 400.
B) 10.
C) 5.
D) 20.
Answer: C
### Topic: Marginal Utility
**Skill: Analytical**

79) Suppose that you consume only pizza and Diet Pepsi. The table above gives your utility from consuming these two goods. What is the marginal utility you get from the fourth slice of pizza?

A) 36.
B) 18.
C) 12.
D) 4.

**Answer: C**

### Topic: Equalizing Marginal Utility per Dollar Spent
**Skill: Analytical**

80) Suppose that you consume only pizza, which costs $4 per slice, and Diet Pepsi, which costs $2 each. The table above gives your utility from consuming these two goods. If your income is $14, which of the following consumption combinations will you choose?

A) 3 slices of pizza and 1 Diet Pepsi.
B) 2 slices of pizza and 3 Diet Pepsis.
C) 1 slice of pizza and 5 Diet Pepsis.
D) 0 slices of pizza and 7 Diet Pepsis.

**Answer: B**

81) Suppose that you consume only pizza, which costs $4 per slice, and Diet Pepsi, which costs $2 each. The table above gives your utility from consuming these two goods. If your income is $20, which of the following consumption combinations will you choose?

A) 5 slices of pizza and no Diet Pepsi.
B) 4 slices of pizza and 2 Diet Pepsis.
C) 3 slices of pizza and 4 Diet Pepsis.
D) 2 slice of pizza and 6 Diet Pepsis.

**Answer: C**

### Topic: Marginal Utility per Dollar Spent
**Skill: Analytical**

82) Given the data in the above table, income of $13, a price of $1 for a gallon of gasoline and $2.00 for a hamburger, what is the marginal utility per dollar spent on the fifth hamburger?

A) 10 utils
B) 8 utils
C) 6 utils
D) 4 utils

**Answer: D**

83) Given the data in the above table, income of $13, a price of $1 for a gallon of gasoline and $2.00 for a hamburger, what is the quantity of gasoline and the quantity of hamburgers that will maximize the consumer’s total utility?

A) 5 gallons of gasoline and 4 hamburgers
B) 4 gallons of gasoline and 4 hamburgers
C) 1 gallon of gasoline and 6 hamburgers
D) 6 gallons of gasoline and 6 hamburgers

**Answer: A**

84) Given the data in the above table, income of $13, a price of $1 for a gallon of gasoline and $2.00 for a hamburger, what is the marginal utility per dollar spent on gasoline and on hamburgers when the consumer is in consumer equilibrium?

A) 20 utils per dollar spent
B) 10 utils per dollar spent
C) 5 utils per dollar spent
D) 1 utils per dollar spent

**Answer: C**
85) Given the data in the above table, if income is $16, and the price is $1 for a gallon of gasoline and $2.00 for a hamburger, what is the quantity of gasoline and the quantity of hamburgers that will maximize the consumer’s total utility?

A) 5 gallons of gasoline and 5 hamburgers
B) 4 gallons of gasoline and 6 hamburgers
C) 6 gallons of gasoline and 5 hamburgers
D) 6 gallons of gasoline and 6 hamburgers

Answer: C

86) The table above gives the utility from pens and pencils. The marginal utility derived from the third pen is

A) 200.
B) 155.
C) 445.
D) 45.

Answer: D

87) The table above gives the utility from pens and pencils. If pens and pencils both cost $.25 each and the consumer has an income of $2.25, which of the following combinations maximizes the consumer’s utility?

A) 3 pens and 6 pencils.
B) 4 pens and 5 pencils.
C) 5 pens and 4 pencils.
D) 6 pens and 3 pencils.

Answer: C

88) The table above gives the utility from pens and pencils. If the consumer has an income of $4, pens cost $1, and pencils cost $.20, which of the following combinations maximizes the consumer’s utility?

A) 4 pens and 0 pencils.
B) 3 pens and 5 pencils.
C) 3 pens and 6 pencils.
D) No combination shown.

Answer: B

89) The table above gives the utility from pens and pencils. If the consumer has an income of $4, pens cost $1, and pencils cost $.20, what is the consumer’s total utility when he or she maximizes utility?

A) 374.
B) 225.
C) 405.
D) 365.

Answer: A
90) Lynette’s marginal utility per dollar spent on tacos and shakes is shown in the above figure. Lynette is initially consuming 2 tacos and 8 shakes. To maximize her utility, Lynette should consume
A) more shakes and fewer tacos.
B) more tacos and fewer shakes.
C) 2 tacos and 8 shakes because this combination is the combination that maximizes her utility.
D) where \( \frac{MU_t}{P_t} \) is maximized.
Answer: A

91) Lynette’s marginal utility per dollar spent on tacos and shakes is shown in the figure above. When Lynette consumes 4 tacos and 4 shakes, Lynette is consuming too many tacos and not enough shakes to maximize her utility.
A) consuming too many tacos and too many shakes to maximize her utility.
B) consuming too many shakes and not enough tacos to maximize her utility.
C) consuming too many shakes and too many tacos to maximize her utility.
D) maximizing her utility.
Answer: A

92) Lynette’s marginal utility per dollar spent on tacos and shakes is shown in the above figure. If the price of a taco is $2, then when Lynette is in consumer equilibrium, her marginal utility
A) from a taco is 16 units of utility.
B) from a taco is 4 units of utility.
C) from a shake is 16 units of utility.
D) from a shake is 4 units of utility.
Answer: A

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

94) Lynette’s marginal utility per dollar spent on tacos and shakes is shown in the above figure. If the price of tacos rises and the price of shakes is unchanged then
A) the \( \frac{MU_t}{P_t} \) curve will shift downward.
B) the \( \frac{MU_t}{P_t} \) curve will shift upward.
C) the \( \frac{MU_t}{P_t} \) curve will shift downward.
D) the \( \frac{MU_t}{P_t} \) curve will shift upward.
Answer: C
<table>
<thead>
<tr>
<th>Hours spent</th>
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<th>Total utility from skiing</th>
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**Topic: Equalizing Marginal Utility per Dollar Spent**  
**Skill: Analytical**

95) As shown in the above table, Sam enjoys sailing and skiing equally well. Which of the following is true?

A) Sam will not consume the same number of hours of sailing and skiing if the price per hour of sailing is more than that of skiing.

B) If the prices per hour of sailing and skiing are the same, Sam will not spend the same number of hours at each activity.

C) The marginal utility of the 3rd hour of either sailing or skiing is 120.

D) None of the above answers is correct.

**Answer: A**

<table>
<thead>
<tr>
<th>Quantity of videos</th>
<th>Total utility from videos</th>
<th>Quantity of CDs</th>
<th>Total utility from CDs</th>
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**Topic: Equalizing Marginal Utility per Dollar Spent**  
**Skill: Analytical**

97) The above table shows Tammy’s total utility from videos and CDs. If Tammy has $70 to spend on videos and CDs and if the price of a video is $10 and the price of a CD is $20, then the maximum utility attainable by Tammy is

A) 450.

B) 1280.

C) 1150.

D) 1200.

**Answer: B**

98) The above table shows Tammy’s total utility from videos and CDs. If Tammy has $110 to spend on videos and CDs and if the price of a video is $10 and the price of a CD is $20, then Tammy maximizes utility by purchasing

A) 3 CDs and 5 videos.

B) 5 CDs and 1 video.

C) 4 CDs and 3 videos.

D) None of the above.

**Answer: A**

**Topic: Maximizing Utility**  
**Skill: Analytical**

99) The above table shows Tammy’s total utility from videos and CDs. If Tammy has $110 to spend on videos and CDs and if the price of a video is $10 and the price of a CD is $20, then the maximum utility attainable by Tammy is

A) 1700.

B) 300.

C) 1580.

D) 250.

**Answer: A**
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<tr>
<th>Quantity of soda</th>
<th>Marginal utility from soda</th>
<th>Quantity of pizza</th>
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**Topic: Equalizing Marginal Utility per Dollar Spent**  
**Skill: Analytical**

100) Lisa spends all her income on pizzas and soda. The above table shows Lisa’s marginal utility for pizza and marginal utility for soda. If the price of a pizza is $10, the price of a soda is $5, and Lisa has $40 to spend on the two goods, what combination of pizza and soda will maximize her utility?

A) 6 sodas and 1 pizza  
B) 4 sodas and 2 pizzas  
C) 2 sodas and 3 pizzas  
D) 5 sodas and 4 pizzas  
**Answer: B**

101) Lisa spends all her income on pizzas and soda. The above table shows Lisa’s marginal utility for pizza and marginal utility for soda. If the price of a pizza is $10 and the price of a soda is $10, and Lisa has $40 to spend on the two goods, what combination of pizza and soda will maximize her utility?

A) 1 soda and 3 pizzas  
B) 2 sodas and 2 pizzas  
C) 2 sodas and 4 pizzas  
D) 3 sodas and 5 pizzas  
**Answer: A**

102) Lisa spends all her income on pizzas and soda. The above table shows Lisa’s marginal utility for pizza and marginal utility for soda. If the price of a pizza is $10 and the price of a soda is $10 and Lisa has $60 to spend on the two goods, what combination of pizza and soda will maximize her utility?

A) 2 sodas and 4 pizzas  
B) 3 sodas and 5 pizzas  
C) 4 sodas and 2 pizzas  
D) 3 sodas and 3 pizzas  
**Answer: A**

103) Lisa spends all her income on pizzas and soda. The above table shows Lisa’s marginal utility for pizza and marginal utility for soda. Suppose the price of a pizza is $10 and the price of a soda is $10 and Lisa initially has $40 to spend on the two goods. Lisa gets a raise at work and so she now has $60 to spend on soda and pizza. With her increase in income, her consumption of sodas _____ and hence soda is a(n) _____ good for Lisa.

A) rises; normal  
B) rises; inferior  
C) falls; normal  
D) falls; inferior  
**Answer: A**
<table>
<thead>
<tr>
<th>Quantity</th>
<th>Marginal utility from steak</th>
<th>Quantity</th>
<th>Marginal utility from chicken</th>
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**Topic: Equalizing Marginal Utility per Dollar Spent**

**Skill: Analytical**

104) John either buys a steak or chicken when dining out. John’s marginal utility for steak and chicken is given in the above table. If the price of a steak is $10 and the price of a chicken is $5 and John has $25 to spend on the two goods, what combination of steak and chicken will John consume to maximize his utility?

A) 0 steak and 5 chickens
B) 1 steak and 3 chickens
C) 2 steaks and 1 chicken
D) 3 steaks and 2 chickens

**Answer: C**

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Marginal utility from skiing</th>
<th>Quantity</th>
<th>Marginal utility from skating</th>
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**Topic: Equalizing Marginal Utility Per Dollar Spent**

**Skill: Analytical**

105) John either buys a steak or chicken when dining out. John’s marginal utility for steak and chicken is given in the above table. If the price of a steak is $10 and the price of a chicken is $5 and John has $25 to spend on the two goods, what combination of steak and chicken will John consume to maximize his utility?

A) 0 steak and 5 chickens
B) 1 steak and 3 chickens
C) 2 steaks and 1 chicken
D) 3 steaks and 2 chickens

**Answer: C**

106) Steve has two goods he can spend his income on, skiing and skating, and his marginal utilities from each are in the table above. The price of each unit of skiing is $10 and the price of each unit of skating is $5. Steve has $40 to spend. What quantities of skiing and skating should Steve consume to maximize utility?

A) 4 units of skiing and 4 units of skating
B) 2 units of skiing and 4 units of skating
C) 1 unit of skiing and 2 units of skating
D) 5 units of skiing and 5 units of skating

**Answer: B**

107) Steve has two goods he can spend his income on, skiing and skating, and his marginal utilities from each are in the table above. The price of each unit of skiing is $10 and the price of each unit of skating is $5. Steve has $40 to spend. If Steve consumes the quantities of skiing and skating to maximize utility, what amount of total utility is realized?

A) 40
B) 60
C) 250
D) 300

**Answer: C**
Equalizing Marginal Utility Per Dollar Spent
Skill: Analytical

108) Steve has two goods he can spend his income on, skiing and skating, and his marginal utilities from each are in the table above. The price of each unit of skiing is $10 and the price of each unit of skating is $10. Steve has $40 to spend. What quantities of skiing and ice skating should Steve consume to maximize utility?

A) 0 units of skiing and 4 units of skating
B) 2 units of skiing and 2 units of skating
C) 4 units of skiing and 0 units of skating
D) 2 units of skiing and 4 units of skating

Answer: B

Quantity of magazines | Total utility from magazines | Quantity of CDs | Total utility from CDs
--- | --- | --- | ---
0 | 0 | 0 | 0
1 | 240 | 1 | 500
2 | 400 | 2 | 950
3 | 520 | 3 | 1350
4 | 620 | 4 | 1650
5 | 680 | 5 | 1800
6 | 716 | 6 | 1850
7 | 736 | 7 | 1870
8 | 740 | 8 | 1875

Topic: Marginal Utility Per Dollar Spent
Skill: Conceptual

109) The table above gives Jane’s total utility from magazines and CDs. The price of a magazine is $4 and the price of a CD is $10. What is the marginal utility per dollar spent when the sixth magazine is purchased?

A) 36 units.
B) 15 units.
C) 9 units.
D) 5 units.

Answer: C

Topic: Marginal Utility Per Dollar Spent
Skill: Conceptual

110) The table above gives Jane’s total utility from magazines and CDs. The price of a magazine is $4 and the price of a CD is $10. What is the marginal utility per dollar spent when the sixth CD is purchased?

A) 40 units.
B) 30 units.
C) 15 units.
D) 5 units.

Answer: D

Topic: Maximizing Utility
Skill: Conceptual

111) The table above gives Jane’s total utility from magazines and CDs. The price of a magazine is $4 and the price of a CD is $10. If Jane’s total budget for magazines and CDs is $70.00 per week, what is her total utility at her utility maximizing consumer equilibrium?

A) 2480 units.
B) 1870 units.
C) 210 units.
D) 30 units.

Answer: A

Topic: Maximizing Utility
Skill: Conceptual

112) The table above gives Jane’s total utility from magazines and CDs. The price of a magazine is $4 and the price of a CD is $10. If Jane’s budget increases from $70 to $88, after the increase how many magazines does Jane purchase at her utility maximizing consumer equilibrium?

A) Five
B) Six
C) Seven
D) Eight

Answer: C
113) The table above gives Jane’s total utility from magazines and CDs. The price of a magazine is $4 and the price of a CD is $20 and Jane’s budget is $88. What is Jane’s marginal utility per dollar spent on magazines at her consumer equilibrium?

A) 36 units.
B) 15 units.
C) 9 units.
D) 5 units.

Answer: D

114) The table above gives Jane’s total utility from magazines and CDs. The price of a magazine is $4 and the price of a CD is $10 and Jane’s budget is $88.00. What is Jane’s total utility at her utility maximizing equilibrium?

A) 70 units.
B) 1516 units.
C) 2536 units.
D) 2586 units.

Answer: D

115) The table above gives Jane’s total utility from magazines and CDs. Initially the price of a magazine is $4 and the price of a CD is $10. Suppose the price of a CD falls to less than $10.00 each. With a $70.00 budget, the

A) marginal utility per dollar of CDs will increase and Jane will buy more CDs in the new equilibrium.
B) marginal utility per dollar of CDs will decrease and Jane will buy fewer CDs in the new equilibrium.
C) marginal utility of magazines will increase and Jane will buy more magazines in the new equilibrium.
D) marginal utility of magazines does not change so Jane will buy fewer magazines in the new equilibrium.

Answer: A

116) 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) increase, but her marginal utility from books will decrease.
C) decrease, but her marginal utility from books will increase.
D) increase. So will her marginal utility from books.

Answer: B

117) 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 total utility from movies will

A) decrease. So will her total utility from books.
B) increase, but her total utility from books will decrease.
C) decrease, but her total utility from books will increase.
D) increase. So will her total utility from books.

Answer: C

118) Teddy buys only chocolate chip cookies and hot chocolate and spends all of his income on the two items. Suppose that Teddy’s marginal utility per dollar spent on cookies exceeds that spent on hot chocolate. According to marginal utility theory, Teddy can make himself better off if he buys

A) more cookies and less hot chocolate.
B) fewer cookies and more hot chocolate.
C) an equal amount of cookies and hot chocolate.
D) only hot chocolate.

Answer: A
CHAPTER 7

Topic: Marginal Analysis
Skill: Analytical

119) Lisa is spending all of her income on compact discs and cassettes. She finds that the marginal utility from the last compact disc she buys is 30 and the marginal utility from the last cassette is 10. The price of a compact disc is $15 and the price of a cassette is $5. Lisa should
A) increase her consumption of compact discs.
B) increase her consumption of cassettes.
C) not change her consumption of cassettes and compact discs.
D) decrease the price of cassettes.

Answer: C

Topic: Marginal Analysis
Skill: Analytical

120) Gil can consume either pens or milkshakes. Both pens and milkshakes sell for $1. Gil finds 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 without violating his budget by consuming
A) more pens and fewer milkshakes.
B) more pens and more milkshakes.
C) fewer pens and fewer milkshakes.
D) fewer pens and more milkshakes.

Answer: A

Topic: Marginal Analysis
Skill: Conceptual

121) Joshua consumes only apples and bread and is in consumer equilibrium. Joshua reads that eating bread is healthy, so his total utility from each loaf of bread increases. At his new consumer equilibrium Joshua would consume
A) more apples and less bread.
B) fewer apples and more bread.
C) some combination of apples and bread corresponding to a lower ratio of the marginal utility of bread to the marginal utility of apples.
D) the same quantity of apples and the same quantity of bread.

Answer: B

Topic: Units of Utility
Skill: Analytical

122) John and Sally have identical preferences except that Sally’s utility is exactly 10 times John’s for each basket of goods. If they have the same income and face the same prices,
A) Sally will consume 10 times the amount that John consumes.
B) Sally will receive 1/10 the satisfaction of John.
C) both will consume the same amount of all goods.
D) John and Sally will have equal total utility.

Answer: C

■ Predictions of Marginal Utility Theory

Topic: Predictions of Marginal Utility Theory, Change in Prices
Skill: Analytical

123) In consumer equilibrium, Harold consumes pizza, sodas, and other goods. Pizza and soda are complements for Harold. The price of a pizza rises while his income remains the same. Harold then consumes
A) more pizza and less soda.
B) fewer pizza and more soda.
C) less pizza and less soda.
D) an equal amount of cookies and hot chocolate.

Answer: C

Topic: Predictions of Marginal Utility Theory, Change in Prices
Skill: Conceptual

124) Teddy buys only chocolate chip cookies and hot chocolate and spends all of his income on the two items. Suppose the price of a cookie rises. According to marginal utility theory, Teddy will buy
A) more cookies.
B) fewer cookies.
C) more hot chocolate.
D) an equal amount of cookies and hot chocolate.

Answer: B
Topic: Predictions of Marginal Utility Theory, Change in Prices
Skill: Conceptual

125) Teddy buys only chocolate chip cookies and hot chocolate and spends all of his income on the two items. Suppose the price of a cookie rises. According to marginal utility theory, Teddy will buy
A) more cookies and less hot chocolate which will decrease his marginal utility from cookies and increase his marginal utility from hot chocolate.
B) more cookies and less hot chocolate which will increase his marginal utility from cookies and decrease his marginal utility from hot chocolate.
C) fewer cookies and more hot chocolate which will decrease his marginal utility from cookies and increase his marginal utility from hot chocolate.
D) fewer cookies and more hot chocolate which will increase his marginal utility from cookies and decrease his marginal utility from hot chocolate.

Answer: D

Topic: Predictions of Marginal Utility Theory, Change in Prices
Skill: Conceptual

126) Teddy buys only chocolate chip cookies and hot chocolate and spends all of his income on the two items. Suppose the price of a cookie falls. According to marginal utility theory, Teddy will buy
A) more cookies and less hot chocolate which would decrease his marginal utility from cookies and increase his marginal utility from hot chocolate.
B) more cookies and less hot chocolate which would increase his marginal utility from cookies and decrease his marginal utility from hot chocolate.
C) fewer cookies and more hot chocolate which would decrease his marginal utility from cookies and increase his marginal utility from hot chocolate.
D) fewer cookies and more hot chocolate which would increase his marginal utility from cookies and decrease his marginal utility from hot chocolate.

Answer: A

Topic: Predictions of Marginal Utility Theory, Change in Prices
Skill: Conceptual

127) Bianca consumes pizza. Marginal utility theory predicts that when the price of pizza increases, Bianca’s
A) total utility from pizza will increase.
B) will buy less pizza.
C) marginal utility from pizza will increase.
D) demand curve for pizza will shift leftward.

Answer: B

Topic: Predictions of Marginal Utility Theory, Change in Prices
Skill: Conceptual

128) Suppose the price of soda is $2 each and the price of a pizza slice is $4 each. David maximizes his utility by buying only sodas and pizza. He buys 5 sodas and 10 slices of pizza. If the price of a soda increases to $3 each, David will
A) decrease the number of sodas bought and the demand curve for sodas will shift leftward.
B) decrease the number of sodas bought and move along the demand curve for soda.
C) buy more pizza and move along the demand curve for pizza.
D) buy less pizza and the demand curve for pizza will shift leftward.

Answer: B

Topic: Predictions of Marginal Utility Theory, Change in Prices
Skill: Analytical

129) Ricardo buys cola and popcorn. Cola sells for $0.50 a can and popcorn sells for $1 per bag. He is in consumer equilibrium. The price of a cola jumps to $1 per can. In his new consumer equilibrium, Ricardo’s
A) marginal utility of cola will be equal to his marginal utility of popcorn.
B) marginal utility per dollar spent will be 2.
C) total utility will be higher.
D) marginal utility of cola will decrease.

Answer: A
130) Marginal utility theory concludes that a decrease in the price of a good increases the quantity demanded and
A) increases the demand for substitutes.
B) decreases the demand for complements.
C) increases income.
D) increases total utility.
Answer: D

131) Marginal utility theory predicts that when the price of one good rises, the demand for another good that can serve as a substitute increases. This change occurs because the
A) marginal utility per dollar of the substitute good will increase.
B) marginal utility of the substitute good will increase.
C) marginal utility per dollar of the good whose price has risen will decrease.
D) marginal utility of the good whose price has risen will decrease.
Answer: C

132) Marginal utility theory is used in the derivation of the
A) negative slope of demand curves.
B) negative slope of supply curves.
C) positive slope of demand curves.
D) positive slope of supply curves.
Answer: A

133) Using marginal utility theory, an individual’s demand curve results from maximizing his or her
A) total utility.
B) marginal utility.
C) total income.
D) net income.
Answer: A

134) Gunther rents Nintendo games and videos. The marginal utility from his last Nintendo game is 10 and that from his last video is 5. Nintendo games rent for $2 each. Gunther’s demand curve for games is shown in the figure above. How many videos a week does Gunther rent?
A) 1.
B) 2.
C) 3.
D) 4.
Answer: D

135) The predictions of marginal utility theory
A) contradict the idea that the demand curve slopes downward.
B) support the idea that the demand curve slopes downward.
C) support the idea that the supply curve slopes upward.
D) contradict the idea that the supply curve slopes upward.
Answer: B
**Topic: Predictions of Marginal Utility Theory, Demand Curve**

**Skill: Analytical**

136) An individual demand curve would **NOT shift** as a result of a change in:

A) the individual’s income.
B) the price of a complement.
C) the price of a substitute.
D) the cost of producing the good.

**Answer: D**

**Topic: Predictions of Marginal Utility Theory, Change in Income**

**Skill: Recognition**

137) When economists speak of normal goods they mean goods for which:

A) the demand curve slopes downward.
B) marginal utility is positive.
C) marginal utility decreases as consumption increases.
D) demand decreases when incomes fall.

**Answer: D**

**Topic: Predictions of Marginal Utility Theory, Change in Income**

**Skill: Recognition**

138) Renee consumes pizza and rice. An increase in her income causes her to consume fewer pizzas and more rice. The change in pizzas consumed means that:

A) her total utility from consuming pizzas had been negative.
B) her marginal utility from consuming pizzas had been negative.
C) her marginal utility from consuming pizzas had been zero.
D) pizza is an inferior good for Renee.

**Answer: D**

**Topic: Predictions of Marginal Utility Theory, Change in Income**

**Skill: Recognition**

139) Marginal utility theory predicts that when income increases:

A) a person’s total utility will not change.
B) a person might increase the consumption of some normal goods and decrease the consumption of other normal goods.
C) a person’s consumption of normal goods will increase.
D) None of the above answers is correct because marginal utility theory does not address how demand changes in response to changes in income.

**Answer: C**

**Topic: Predictions of Marginal Utility Theory, Change in Income**

**Skill: Analytical**

140) Marginal utility theory implies that, starting from consumer equilibrium, a rise in income will:

A) increase a consumer’s total utility.
B) increase consumption of all goods.
C) increase the marginal utility of all goods.
D) None of the above answers is correct.

**Answer: A**

**Topic: Predictions of Marginal Utility Theory**

**Skill: Recognition**

141) Marginal utility theory predicts that:

A) when the price of a good rises, the quantity demanded of that good decreases.
B) if the price of one good decreases, the demand for a substitute good increases.
C) if income increases, the demand for a normal good increases.
D) All of the above answers are correct because all are predictions of marginal utility theory.

**Answer: D**

**Topic: Individual Demand and Market Demand**

**Skill: Recognition**

142) The market demand curve is:

A) used to derive individual demand curves.
B) the sum of the quantity demanded by each individual at each price.
C) the same as the market’s marginal utility curve.
D) obtained by summing each individual’s marginal utility curve.

**Answer: B**
Topic: Individual Demand and Market Demand
Skill: Conceptual
143) A market demand curve can be constructed by
A) adding the prices all consumers will pay for any
given quantity.
B) adding the quantities that all consumers buy at
each price.
C) adding the quantities that a consumer buys at
the highest price.
D) None of the above answers is correct.
Answer: B

Topic: Individual Demand and Market Demand
Skill: Analytical
144) The market demand curve for onions will shift when
A) the price of fertilizer changes.
B) people’s incomes increase.
C) the price of onions changes.
D) technology for pest control on onion farms is
improved.
Answer: B

Topic: Marginal Utility and the Real World
Skill: Recognition
145) Goods whose marginal utility diminishes rapidly
have
A) elastic demands.
B) inelastic demands.
C) upward sloping demand curves.
D) no demand curves.
Answer: B

Topic: Marginal Utility and the Real World
Skill: Analytical
146) Goods that have elastic demands are those whose
marginal utility
A) is negative.
B) is zero.
C) diminishes slowly.
D) diminishes rapidly.
Answer: C

Topic: Marginal Utility and the Real World
Skill: Analytical
147) If the marginal utility of the good changes sharply as
consumption increases, the
A) demand for the good is elastic.
B) demand for the good is inelastic.
C) supply of the good is elastic.
D) supply of the good is inelastic.
Answer: B

Topic: Marginal Utility and the Real World
Skill: Analytical
148) The marginal utility of good A changes sharply as
its consumption increases and the marginal utility
of good B changes slowly as its consumption in-
creases. The price elasticity of
A) demand for A exceeds the price elasticity of de-
mand for B.
B) demand for B exceeds the price elasticity of de-
mand for A.
C) supply of A exceeds the price elasticity of supply
of B.
D) supply of B exceeds the price elasticity of supply
of A.
Answer: B

Efficiency, Price, and Value

Topic: Consumer Surplus
Skill: Recognition
149) One implication of marginal utility theory is that
for most goods, consumer surplus is
A) negative.
B) zero.
C) positive.
D) equal to the price elasticity of demand.
Answer: C

Topic: Consumer Surplus
Skill: Analytical
150) A decrease in the supply of a good will
A) increase the consumer surplus from the good.
B) decrease the consumer surplus from the good.
C) not affect the consumer surplus from the good.
D) increase the consumer surplus if demand for the
good is elastic and decrease it if the demand is
inelastic.
Answer: B

Topic: Consumer Surplus
Skill: Analytical
151) Stacey watches five movies a month at a total cost
of $30. She values the first movie at $14, the sec-
ond at $12, the third at $10, the fourth at $8, and
the fifth at $6. Her consumer surplus from seeing
five movies is
A) $0.
B) $8.
C) $20.
D) $50.
Answer: C
152) Stacey watches five movies a month at a total cost of $30. She values the first movie at $14, the second at $12, the third at $10, the fourth at $8, and the fifth at $6. On a diagram showing her demand for movies, her consumer surplus from seeing five movies is best approximated as
A) the area of a rectangle.
B) the area of a triangle.
C) a vertical distance.
D) a horizontal distance.
Answer: B

<table>
<thead>
<tr>
<th>Price (dollars per handkerchief)</th>
<th>Quantity demanded</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>1</td>
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<tr>
<td>4</td>
<td>2</td>
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<td>2</td>
<td>4</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

153) The table above shows Arnold’s demand schedule for handkerchiefs. If the price of a handkerchief is $2 per handkerchief, then Arnold’s consumer surplus is
A) $4.
B) $5.
C) $6.
D) $9.
Answer: C

154) Steak is a normal good. If the price of a pound of steak does not change, as a consumer’s income increases the consumer surplus from steak
A) increases.
B) decreases.
C) remains the same.
D) increases if the demand for steak is elastic and decreases if the demand is inelastic.
Answer: A

155) The diamond-water paradox of value can be explained by
A) distinguishing between total utility and marginal utility.
B) water’s high level of utility relative to diamonds.
C) water’s low price relative to diamonds.
D) the fact that utility cannot be measured.
Answer: A

156) The paradox of value is illustrated by the fact that
A) a pound of bread is cheaper than a pound of gold.
B) teens buy designer jeans.
C) if diamonds were free they would no longer be useful for engagement rings.
D) gold and diamonds occupy little space.
Answer: A

157) The paradox of value can be resolved by distinguishing between
A) quantity demanded and quantity supplied.
B) supply and quantity supplied.
C) normative and positive statements.
D) total utility and marginal utility.
Answer: D

Study Guide Questions

158) The supply of wheat decreases, so that the quantity of wheat consumed decreases. Thus
A) both the marginal utility and the total utility from wheat increase.
B) the marginal utility from wheat increases and the total utility decreases.
C) the marginal utility from wheat decreases and the total utility increases.
D) both the marginal utility and the total utility from wheat decrease.
Answer: B
159) The marginal utility from the first burrito Bobby consumes is larger than the marginal utility from the first taco Bobby consumes. As a result,
A) tacos are an inferior good for Bobby.
B) Bobby will never consume tacos.
C) Bobby will consume a taco only if the price of a taco is less than the price of a burrito.
D) burritos and tacos are substitute goods for Bobby.
Answer: C

160) Sergio is maximizing his utility in his consumption of beef and snails. If the price of beef is less than the price of snails, then we definitely know that
A) Sergio buys more beef than snails.
B) Sergio buys more snails than beef.
C) the marginal utility of the last pound of beef purchased is greater than the marginal utility of the last pound of snails purchased.
D) the marginal utility of the last pound of snails purchased is greater than the marginal utility of the last pound of beef purchased.
Answer: D

161) Michael consumes only steak and lobster. Suppose that the price of steak rises. After Michael is back at equilibrium, compared to the situation when steak was cheaper, the marginal utility from the last steak will
A) have increased.
B) not have changed.
C) have decreased.
D) not be comparable with the marginal utility before the price hike.
Answer: A

162) Tommy buys only soda and pizza and is buying the amounts that maximize his utility. The marginal utility from a soda is 5 and the price of a soda is $1. The marginal utility from a slice of pizza is 10. The price of a slice of pizza must be
A) $10.
B) $2.
C) $1.
D) some amount that cannot be calculated without more information.
Answer: B

163) Shaniq buys only soda and pizza and is buying the amounts that maximize her utility. The marginal utility from a soda is 30 and the price of a soda is $2. The marginal utility from a slice of pizza is also 30. The price of a slice of pizza must be
A) $30.
B) $2.
C) $1.
D) some amount that cannot be calculated without more information.
Answer: B

164) Katie 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 $10. In order to increase her utility, Katie should
A) increase her consumption of compact discs.
B) increase her consumption of cassettes.
C) not change her consumption of cassettes and compact discs.
D) decrease the price of cassettes.
Answer: A
### Utility and Demand

**Topic: Study Guide Question, Equalizing Marginal Utility per Dollar Spent**

**Skill: Analytical**

165) Bianca consumes apples and bananas and is in consumer equilibrium. The marginal utility of the last apple is 10 and the marginal utility of the last banana is 20. If the price of an apple is $0.50, then what is the price of a banana?

A) $0.10.  
B) $0.25.  
C) $0.50.  
D) $1.00.

**Answer: D**

**Topic: Study Guide Question, Predictions of Marginal Utility Theory**

**Skill: Conceptual**

166) Marginal utility theory predicts that a fall in the price of a banana results in

A) the demand curve for bananas shifting rightward.  
B) the demand curve for bananas shifting leftward.  
C) a movement upward along the demand curve for bananas.  
D) a movement downward along the demand curve for bananas.

**Answer: D**

**Topic: Study Guide Question, Consumer Surplus**

**Skill: Conceptual**

167) The principle of diminishing marginal utility means that the consumer surplus from the first slice of pizza is

A) greater than that from the second.  
B) equal to that from the second.  
C) less than that from the second.  
D) not comparable to that from the second.

**Answer: A**

**Topic: Study Guide Question, Consumer Surplus**

**Skill: Analytical**

168) Ben thinks that playing another round of a video game is worth $1.00; to play another round costs Ben $0.50. Ben’s consumer surplus from playing another round of the video game is

A) $1.50.  
B) $1.00.  
C) $0.50.  
D) $0.

**Answer: C**

**Topic: Study Guide Question, Paradox of Value**

**Skill: Conceptual**

169) The fact that rubies are more expensive than milk reflects the fact that for most consumers

A) the total utility from rubies exceeds that from milk.  
B) the marginal utility from rubies equals that from milk.  
C) more milk is consumed than rubies.  
D) a quart of rubies is considered to be prettier than a quart of milk.

**Answer: C**

**MyEconLab Questions**

170) The figure above shows Bob’s and Bev’s demand curves for hamburgers. There are 1,000,000 people like Bob and another 1,000,000 like Bev in the market for hamburgers. If the price of a hamburger is $4.00, the quantity demanded in the market is

A) 5,000,000 hamburgers.  
B) 6,000,000 hamburgers.  
C) 11,000,000 hamburgers.  
D) 14,000,000 hamburgers.

**Answer: A**
### Topic: Parallel MyEconLab, Total Utility and Marginal Utility

#### Skill: Analytical

171) The table above gives Andy’s utility from popcorn. Andy’s total utility from four boxes of popcorn is

A) 66.
B) 70.
C) 78.
D) 82.

**Answer:** C

<table>
<thead>
<tr>
<th>Quantity (boxes)</th>
<th>Total utility</th>
<th>Marginal utility</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>X</td>
</tr>
<tr>
<td>1</td>
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<td>66</td>
<td>16</td>
</tr>
<tr>
<td>4</td>
<td>?</td>
<td>12</td>
</tr>
</tbody>
</table>

#### Topic: Parallel MyEconLab, Maximizing Utility

#### Skill: Analytical

172) The above table shows Sue’s total utility from golf and tennis. If the price of each hour of golf is twice the price of each hour of tennis, and Sue plays four hours of tennis, then Sue plays

A) one hour of golf.
B) two hours of golf.
C) three hours of golf.
D) four hours of golf.

**Answer:** C

<table>
<thead>
<tr>
<th>Quantity (hours)</th>
<th>Total utility from</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Golf</td>
</tr>
<tr>
<td>1</td>
<td>40</td>
</tr>
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<td>2</td>
<td>70</td>
</tr>
<tr>
<td>3</td>
<td>90</td>
</tr>
<tr>
<td>4</td>
<td>100</td>
</tr>
</tbody>
</table>

### MyEconLab Questions

#### Topic: Total Utility

#### Level 1: Definitions and Concepts

173) The satisfaction that a person receives from consuming a good or service is called ____.

A) total satisfaction
B) marginal benefit
C) utility
D) marginal utility

**Answer:** C

#### Topic: Total Utility and Marginal Utility

#### Level 1: Definitions and Concepts

174) Marginal utility theory assumes that when Sally must consume less of a good that she likes, her _____.

A) total utility increases
B) marginal utility increases
C) income increases
D) total utility is maximized

**Answer:** B

#### Topic: Marginal Utility

#### Level 1: Definitions and Concepts

175) Mark’s marginal utility from reading books is the ____ when he reads ____.

A) change in his total utility; one additional book
B) total utility he gets; one more book
C) change in his total utility; more books
D) consumer surplus he gets; books

**Answer:** A

#### Topic: Diminishing Marginal Utility

#### Level 1: Definitions and Concepts

176) As you consume more and more of any good, you experience ____ utility.

A) diminishing marginal
B) diminishing total
C) negative marginal
D) increasing marginal

**Answer:** A

#### Topic: The Utility-Maximizing Choice

#### Level 1: Definitions and Concepts

177) With a given income and prices of goods, Marcus will be in a consumer equilibrium if ____.

A) his marginal utility from all goods is the same
B) he purchases the same amounts of all goods
C) he maximizes his total utility
D) his marginal utility from all goods is at its maximum

**Answer:** C

#### Topic: Marginal Utility per Dollar Spent

#### Level 1: Definitions and Concepts

178) The marginal utility per dollar spent on a taco is equal to the ____ divided by the price of the taco.

A) total utility from all tacos consumed
B) average utility from all tacos consumed
C) the sum of the marginal utilities from all tacos consumed
D) marginal utility from a taco

**Answer:** D
179) Liane maximizes her total utility when she allocates all of her available income such that the marginal utility per dollar spent on each good _____.
   A) is diminishing
   B) is maximized
   C) is the same
   D) is increasing
   Answer: C

180) The relationship between the total quantity demanded of a good and its price is called the ____ demand.
   A) market
   B) marginal
   C) total
   D) equilibrium
   Answer: A

181) The market demand curve for CDs is the ____ of all the individual demand curves for CDs.
   A) horizontal product
   B) horizontal sum
   C) vertical sum
   D) sum
   Answer: B

182) Marginal utility theory shows us that water, which is very common, has a ____ marginal utility and a ____ total utility.
   A) small; large
   B) large; small
   C) large; large
   D) small; large
   Answer: A

183) Ethel cannot consume at a point to the right of her budget line, because this point is ____.
   A) not preferred
   B) unaffordable
   C) expensive
   D) inefficient
   Answer: B

184) Susan prefers tacos to hot dogs. If she eats a taco for dinner, her ____ will be ____ if she eats a hot dog.
   A) marginal utility; the same as
   B) total utility; the same as
   C) marginal utility; less than
   D) total utility; greater than
   Answer: D

185) The principle of diminishing marginal utility means that as you eat fewer slices of pizza, your total utility from pizza will ____ and your marginal utility from each additional slice of pizza will ____.
   A) increase; decrease
   B) decrease; increase
   C) increase; increase
   D) decrease; decrease
   Answer: B

186) Ricky is in a consumer equilibrium. Given the prices of goods, Ricky has allocated all his income such that his marginal utility per dollar spent is ____ for ____ goods.
   A) as small as possible; all
   B) equal; all
   C) equal; normal
   D) maximized; all
   Answer: B
Topic: Equalizing Marginal Utility per Dollar Spent
Level 2: Using Definitions and Concepts
187) Fred spends all of his income on two goods: videos and CDs. If Fred’s marginal utility per dollar spent on videos is greater than his marginal utility per dollar spent on CDs, Fred can ____ his total utility by buying ____.
A) maximize; more videos and more CDs
B) increase; more CDs and fewer videos
C) increase; more videos and fewer CDs
D) maximize; fewer videos and fewer CDs
Answer: C

Topic: Predictions of Marginal Utility Theory
Level 2: Using Definitions and Concepts
188) Emma consumes only tacos and pizza and she buys the quantities that maximizes her total utility. The price of a taco falls. Emma will buy ____ tacos and her marginal utility from the last slice of pizza she eats ____.
A) more; does not change
B) more; decreases
C) the same quantity; does not change
D) less; increases
Answer: B

Topic: Predictions of Marginal Utility Theory
Level 2: Using Definitions and Concepts
189) Marginal utility theory predicts that as the price of coffee rises, the ____ a substitute for coffee ____ and the ____ coffee ____.
A) supply of; increases; demand for; decreases
B) supply of; decreases; supply of; increases
C) demand for; increases; quantity demanded of; decreases
D) demand for; decreases; demand for; increases
Answer: C

Topic: Predictions of Marginal Utility Theory, Change in Income
Level 2: Using Definitions and Concepts
190) Lucy buys only magazines and CDs. Both are normal goods. Lucy’s income decreases, but the prices of magazines and CDs do not change. Marginal utility theory predicts that Lucy will ____.
A) buy fewer magazines and fewer CDs
B) substitute magazines for CDs
C) increase her marginal utility from both magazines and CDs by buying more magazines and CDs
D) buy more magazines and more CDs
Answer: A

Topic: Individual Demand and Market Demand
Level 2: Using Definitions and Concepts
191) Sally and Eric are the only people in an economy. Sally buys 3 bottles of water when the price is $2 a bottle and 4 bottles of water when the price is $1 a bottle. Eric buys 10 bottles of water when he price is $0.50 a bottle and 5 bottles of water when the price is $1 a bottle. In the market for water, the quantity demanded ____.
A) at $1 a bottle is 4 bottles
B) increases as the price falls
C) at $2 a bottle is 8 bottles
D) increases as the price rises
Answer: B

Topic: Paradox of Value
Level 2: Using Definitions and Concepts
192) Rembrandt paintings are expensive and not as vital for life as milk, which is cheap. Marginal utility theory explains this paradox of value: The total utility from a Rembrandt painting is ____ than the total utility from milk, and the marginal utility from a Rembrandt painting is ____ than the marginal utility from milk.
A) smaller; smaller
B) smaller; larger
C) larger; smaller
D) larger; larger
Answer: B
Topic: The Utility-Maximizing Choice
Level 3: Calculations and Predictions
193) Lily has $10 to spend each week on fish and chicken. Fish costs $2 a serving and chicken costs $3 a serving. The table shows Lily’s marginal utilities of fish and chicken. Lily will consume ____ servings of chicken and ____ of fish each week.
A) 4; 0
B) 1; 3
C) 0; 5
D) 2; 2
Answer: D

Topic: Marginal Utility
Level 3: Calculations and Predictions
194) The table shows Elaine’s utility from pizza and Pepsi. If Elaine consumes 2 slices of pizza and 3 Pepsi’s, her marginal utility from an additional Pepsi is ____ units.
A) 60
B) 54
C) 40
D) 220
Answer: C

Topic: The Utility-Maximizing Choice
Level 3: Calculations and Predictions
195) Elaine spends $10 a week on pizza and Pepsi. The price of pizza is $2 a slice and the price of a Pepsi is $2. The table shows Elaine’s total utility from pizza and hamburgers. Elaine maximizes her total utility by buying ____ slices of pizza and ____ hamburgers a week.
A) 5; 0
B) 0; 5
C) 3; 2
D) 2; 3
Answer: D

Topic: The Utility-Maximizing Choice
Level 3: Calculations and Predictions
196) Tom spends $20 a month on CDs and magazines. The price of a CD is $6 and the price of a magazine is $4. When Tom maximizes his utility, the marginal utility from CDs is ____ the marginal utility from newspapers.
A) the same as
B) 1/2
C) 20 times
D) 1 1/2 times
Answer: D

Topic: Predictions of Marginal Utility Theory
Level 3: Calculations and Predictions
197) Roberta spends all of her income on two items, staplers and paper clips. If the price of a stapler increases, there will be a ____ Roberta’s demand curve for staplers and a ____ Roberta’s demand curve for paper clips.
A) rightward shift of; leftward shift of
B) leftward shift of; movement along
C) movement along; rightward shift of
D) movement along; leftward shift of
Answer: C
 CHAPTER 7

**Topic: Predictions of Marginal Utility Theory, Change in Income**
**Level 3: Calculations and Predictions**

198) Jeremiah spends all of his income on oranges and cookies, which are normal goods. If Jeremiah’s income decreases, he will buy ____ oranges and ____ cookies. His marginal utility from oranges will ____ and his marginal utility from cookies will ____.

A) fewer; fewer; decrease; increase
B) more; more; decrease; decrease
C) the same quantity of; fewer; remain constant; decrease
D) fewer; fewer; increase; increase

**Answer: B**

**Topic: Marginal Utility per Dollar Spent**
**Level 3: Calculations and Predictions**

199) 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) $4
B) $2
C) $8
D) $12

**Answer: C**

**Topic: Marginal Utility per Dollar Spent**
**Level 3: Calculations and Predictions**

200) Danny has $12 to spend on two goods: pies and soda. The price of a pie is $4, and the price of a can of soda is $2. To maximize his utility, Danny buys ____.

A) the combination that gives him equal total utility from pies and soda
B) 2 pies and 2 cans of soda
C) only sodas because they are less expensive
D) the combination that gives him the same marginal utility per dollar spent on pies as on soda

**Answer: D**

**Topic: Predictions of Marginal Utility Theory**
**Level 3: Calculations and Predictions**

201) Steve is in a consumer equilibrium. Then, the price of steak increases from $6 a pound to $8 a pound. Steve decreases the number of pounds of steaks he buys each week ____.

A) and decreases his total utility
B) only if his income also decreases
C) so that the marginal utility per dollar spent on steaks is the same as it was when the price was $6 a pound
D) and decreases both his total utility and his marginal utility from steak

**Answer: A**

**Topic: Predictions of Marginal Utility Theory**
**Level 3: Calculations and Predictions**

202) Which of the following statements is true?

A) Utility units are observable.
B) Total utility is equal to marginal utility.
C) Utility is gained whenever someone wants a good.
D) Marginal utility theory assumes that marginal utility diminishes as more of any good is consumed.

**Answer: D**

**Topic: Predictions of Marginal Utility Theory, Change in Income**
**Level 4: Advanced Calculations and Predictions**

203) Kirk consumes normal goods. If Kirk’s income decreases and the prices of all goods remain unchanged, his marginal utility from each good will ____ and his total utility will ____.

A) increase; increase
B) increase; decrease
C) decrease; increase
D) decrease; decrease

**Answer: B**
Topic: Predictions of Marginal Utility Theory
Level 4: Advanced Calculations and Predictions

204) Peter likes bagels and soda and spends $10 a week on them. The price of a bagel is $2 and the price of soda is $1 a can. Peter buys 3 bagels and 4 cans of soda. The price of soda increases to $2 a can and now Peter will most likely buy ____ bagels and ____ cans of soda.

A) 3; 2
B) 4; 1
C) 2; 3
D) 5; 0
Answer: B

Topic: Predictions of Marginal Utility Theory
Level 4: Advanced Calculations and Predictions

205) Patty spends $10 a week on bagels and soda. The price of a bagel is $2 and the price of soda is $1 a can. Patty buys 2 bagels and 6 cans of soda. Her marginal utility from bagels is 20 units. Now the price of a bagel rises to $3 and the price of a can of soda rises to $1.50. Patty now buys ____ bagels and her marginal utility from bagels ____.
She buys ____ cans of soda and her marginal utility from soda ____.

A) fewer than 2; increases; fewer than 6; increases
B) 2; is 20 units; 6; is 10 units
C) fewer than 2; is 20 units; fewer than 6; is 10 units
D) fewer than 2; decreases; fewer than 6; decreases
Answer: A

Topic: Total Utility and Marginal Utility
Level 4: Advanced Calculations and Predictions

206) Molly buys only paperbacks and cups of coffee and maximizes her utility. When the price of a paperback is $8 and the price of a cup of coffee is $1, her marginal utility from paperbacks is 40 units. Her marginal utility from a cup of coffee is ____ and her total utility ____.

A) 20 units; 60 units
B) 40 units; 80 units
C) 5 units; cannot be determined from the information given
D) 320 units; cannot be determined from the information given
Answer: C

Topic: Equalizing Marginal Utility per Dollar Spent
Level 4: Advanced Calculations and Predictions

207) The figure shows Barbara’s budget line. Barbara consumes only milkshakes and juice. When Barbara maximizes her utility, the ratio of ____ utility from milkshakes to ____ utility from juice is ____.

A) total; total; 1/2
B) marginal; marginal; 1/2
C) total; total; 2
D) marginal; marginal; 2
Answer: D

Topic: Equalizing Marginal Utility per Dollar Spent
Level 4: Advanced Calculations and Predictions

208) Tom spends all his income on comics and cola and maximizes his total utility. If the price of a comic is $4 and the price of a can of cola is $1, then the ratio of the ____ is 4.

A) marginal utility from cola to the marginal utility from comics
B) marginal utility from comics to the marginal utility from cola
C) number of comics Tom buys to the number of cola Tom buys
D) total utility from comics to the total utility from cola
Answer: B
Topic: Predictions of Marginal Utility Theory
Level 4: Advanced Calculations and Predictions
209) Betty consumes only milkshakes and sandwiches and maximizes her total utility. Suppose that the prices of a milkshake and sandwiches both double and at the same time Betty’s income doubles. Betty buys ____ sandwiches and her marginal utility from sandwiches ____.
A) more; increases  
B) fewer; decreases  
C) more; decreases  
D) the same number of; remains the same
Answer: D

Topic: Predictions of Marginal Utility Theory
Level 4: Advanced Calculations and Predictions
210) Andy spends $30 a week on movies and magazines. The price of a movie is $8, the price of a magazine is $2, and Andy sees 3 movies a week and buys 3 magazines. The price of a magazine increases to $4 and Andy’s brother gives him $6 a week so that he can still see 3 movies a week and buy 3 magazines. In this situation, Andy will see ____ movies a week and buy ____ magazines.
A) fewer than 3; fewer than 3  
B) 3; 3  
C) fewer than 3; more than 3  
D) more than 3; fewer than 3
Answer: D

Topic: Predictions of Marginal Utility Theory
Level 4: Advanced Calculations and Predictions
211) Sam consumes only sandwiches and soda and maximizes his total utility. Suppose that the price of a sandwich falls. At the new consumer equilibrium, Sam substitutes ____ for ____. Sam’s marginal utility from soda ____ and his marginal utility per dollar spent on sandwiches ____.
A) sandwiches; soda; increases; increases  
B) soda; sandwiches; decreases; increases  
C) sandwiches; soda; increases; decreases  
D) soda; sandwiches; stays the same; stays the same
Answer: A

Topic: Paradox of Value
Level 4: Advanced Calculations and Predictions
212) We can explain the paradox of value as follows: The consumer surplus from water, which is cheap, is ____ than the consumer surplus from gold, which is expensive; the total utility from gold is ____ than the total utility from water; and the marginal utility per dollar spent on water ____ the marginal utility per dollar spent on gold.
A) greater; less; equals  
B) smaller; less; equals  
C) greater; greater; greater than  
D) less; greater; greater than
Answer: A