Solution

Econ 301 Intermediate Microeconomics
Chapter 4 Quiz

1. Suppose that Charlie is trying to decide whether to buy a block of cheese, a freshly boiled milk steak, or a set of kitten mittens for his kitty. When faced with the choice, Charlie says that he doesn’t know which one he likes best. Which of the four assumptions about consumer preferences does this violate?
   A. Completeness and rankability  B. More is better than less  C. Transitivity  D. The more a consumer has of a good, the less he is willing to give up to get more of that good.

2. Suppose you yell at Charlie and tell him that he’s being irrational, so he caves in and tells you this: “Well a block of cheese is clearly better than kitten mittens because you can’t eat mittens. And kitten mittens are better than a milk steak because cats don’t get diarrhea when you put mittens on them. And a milk steak has to be better than a block of cheese because they both cover your dairy, but only the milk steak gives you steak.” Which of the four assumptions about consumer preferences does this violate?
   A. Completeness and rankability  B. More is better than less  C. Transitivity  D. The more a consumer has of a good, the less he is willing to give up to get more of that good.

3. Suppose Charlie decides to buy a set of kitten mittens for his new kitty, Sweet Dee. Now you offer Charlie a second set for free and he refuses, telling you “A second set is worse than useless! Sweet Dee only has four paws, what am I going to do with 8 mittens?” Which of the four assumptions about consumer preferences does this violate?
   A. Completeness and rankability  B. More is better than less  C. Transitivity  D. The more a consumer has of a good, the less he is willing to give up to get more of that good.

4. Suppose that you convinced Charlie that he was wrong, and he tells you “You’re right — if the first set of kitten mittens is worth $5, the second set must be worth $10!” Which of the four assumptions about consumer preferences does this violate?
   A. Completeness and rankability  B. More is better than less  C. Transitivity  D. The more a consumer has of a good, the less he is willing to give up to get more of that good.

5. Marginal utility of a good is defined as...
   A. change in utility over the change in the amount of good consumed
   B. the change in the amount of the good consumed over the change in utility
   C. change in utility over the change in income

6. Suppose you have a beer that you’re going to give away to either Dennis or Mac. Dennis tells you his marginal utility for the beer is 10 and Mac tells you his marginal utility for the beer is 15. Who values the beer more?
   A. Dennis  B. Mac  C. Indeterminate

7. On an indifference curve, total utility is...
   A. Increasing as you move right  B. Decreasing as you move right  C. Constant

8. The marginal rate of substitution between two goods is defined as...
   A. The ratio of the changes of the two goods.
   B. The negative of the ratio of the changes of the two goods.
   C. The negative of the ratio of the marginal utilities of the two goods.
   D. The ratio of the marginal utilities of the two goods.

9. If the indifference curves between two goods are relatively flat, then the two goods are _______________; if the curves are relatively curved, then the two goods are _______________.
   A. substitutes; complements  B. complements; substitutes  C. highly sought after; hardly sought after  D. hardly sought after; highly sought after