

IC #9 Key (3-9-09)

1. A consumer's budget constrain shows the maximum:

- 2 a. combinations of a good the consumer will buy at different prices
- 3 b. amount of income the consumer has to spend
- 0 c. combinations of 2 goods (or bundles of 2 goods) the consumer can buy given their income and the prices of the 2 goods
- 2 d. combinations of 2 goods the consumer can produce given a budget
- 3 e. amount the consumer is willing to spend on an item

2. Refer to the graph below. What has caused the budget line to move in the direction noted by the arrow?

- 3 a. increase in income
- 0 b. decrease in P of X
- 1 c. increase in P of X
- 2 d. decrease in P of Y
- 2 e. increase in P of X

