1. Ignoring all other goods, if Jessica's marginal utility per pound of bread is 15 and per pound of cheese is 30, her
    a. total utility would be maximized if the price per pound of cheese is triple the price per pound of bread.
    b. total utility would be maximized if the price per pound of cheese is twice the price per pound of bread.
    c. total utility could be increased by buying more cheese and less bread.
    d. total utility would be maximized if the price per pound of cheese is one-half the price per pound of bread.
    e. marginal utility would be maximized if the price per pound of cheese is one-third the price per pound of bread.

2. Jeff spends all his income on Gore-tex running suits and running shoes. The price of a Gore-tex suit is twice as large as the price for a pair of running shoes. In order to maximize total utility, Jeff should
    a. buy twice as many running suits as pairs of running shoes.
    b. buy both items until the marginal utility of a running suit is twice the marginal utility of a pair of running shoes.
    c. divide his income equally between running shoes and running suits.
    d. buy both items until the marginal utility of a running suit is four times the marginal utility of a pair of running shoes.
    e. buy both items until the marginal utility of a pair of running shoes is twice the marginal utility of a running suit.

3. In an equilibrium for an individual consumer,
    a. the slope of the budget line and the slope of the indifference curve are equal.
    b. $\dfrac{-p_2}{p_1} = MRS_{q_1 q_2} = \dfrac{\Delta q_1}{\Delta q_2} = \dfrac{-MU_{q_2}}{MU_{q_1}}$
    c. $\dfrac{p_1}{p_2} = \dfrac{MU_{q_2}}{MU_{q_1}}$

    d. both a and b
    e. a, b, and c

4. Use the following table to answer question 4 where the data in the table gives the **cost per unit** for each item.

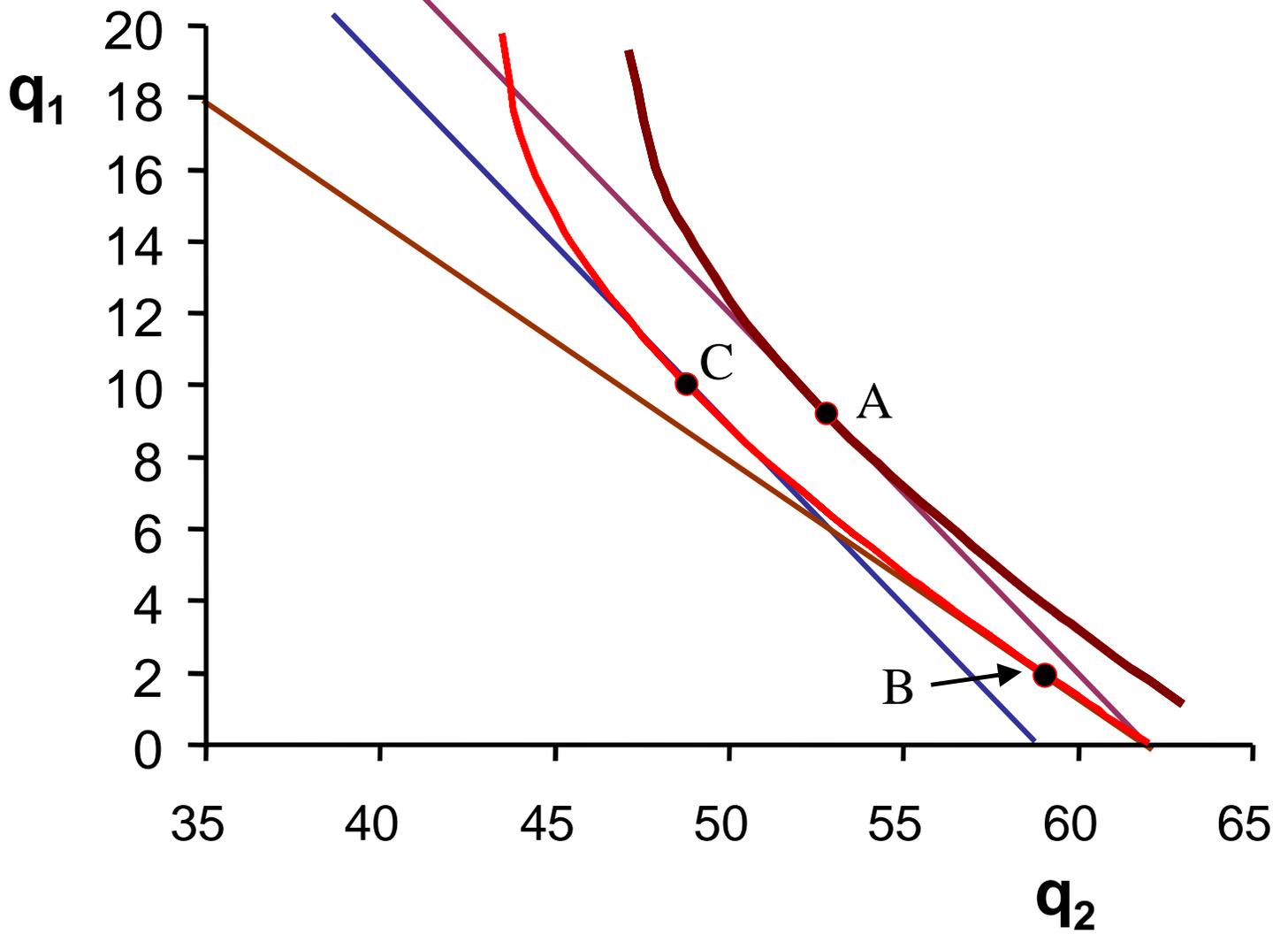 | | Per cwt cottonseed oil | Per shoe |
    |---------|------------------------|----------------|
    | Albania | 4,200 lek | 1,400 lek |
    | Greece | 7,000 drachma | 3,500 drachma |

    Which of the following is true?
    a. Greece has a comparative advantage in producing cottonseed oil.
    b. Greece has a comparative advantage in producing shoes.
    c. Albania has a comparative advantage in producing cottonseed oil.
    d. Albania has an absolute advantage in both goods.
    e. Both b and c are correct.

5. Consider the following data on consumption of q_1 and q_2. The price of q_1 is $8.00. The price of q_2 is $4.00. Income is $64. Which of the following combinations of goods maximizes utility?

q_1	q_2	MU_1	MU_2
8	0	0.592178	0.6662
7.5	1	0.6496	0.460133
7	2	0.6965	0.34825
6.5	3	0.737707	0.27664
6	4	0.775771	0.226267
5.5	5	0.812062	0.188514
5	6	0.847467	0.1589
4.5	7	0.882909	0.134889

a. $q_2 = 0$, $q_1 = 8$
b. $q_2 = 1$, $q_1 = 7.5$
c. $q_2 = 2$, $q_1 = 7$
d. $q_2 = 3$, $q_1 = 6.5$
e. $q_2 = 5$, $q_1 = 5.5$

6. Marginal (physical) product measures
   a. the change in cost from the production of one more unit of output.
   b. the change in output that results from one more unit of an input.
   c. the change in an input required to produce one more unit of output.
   d. the change in output that can be obtained from one more dollar of expenditure.
   e. the level of output divided by the level of input.

7. When marginal product is falling but positive
   a. total product is falling.
   b. average product is falling.
   c. marginal product is less than average product.
   d. average product is at a maximum.
   e. total product is rising at a decreasing rate.

8. Consider the graph on the following page. The consumer has an income of $62.00 and the price of both goods is $1.00. The consumer maximizes utility at point A in the diagram. Now consider a rise in the price of good 1 to $1.25. Which of the following is true?
   a. The consumer will now consume at point B.
   b. The consumer will now consumer at point C.
   c. The budget line will move in parallel to the original budget line.
   d. The consumer will be better off.
   e. None of the above is true.

9. From the diagram we can conclude the following
   a. Good 2 is a Giffen good.
   b. Good 1 is an inferior good.
   c. Good 1 is a normal good.
   d. Good 1 is a Giffen good.
   e. Good 2 is an inferior good.

Increase in p₁

Increase in p_1

q_1 axis: 0, 2, 4, 6, 8, 10, 12, 14, 16, 18, 20

q_2 axis: 35, 40, 45, 50, 55, 60, 65

Points labeled: A, B, C

10. Below is some data on use of an input and total product. What is the marginal product in going from 7 to 8 units of input?

x_1	y	APP	D MPP
3.00	168.00		
4.00	276.00	69.00	108.00
5.00	400.00	80.00	
6.00	534.00		134.00
7.00	672.00		
8.00	808.00		
9.00	936.00		
10.00	1050.00		
11.00	1144.00	104.00	
12.00	1212.00		
13.00	1248.00		36.00
14.00	1246.00		-2.00

a. 138
b. 136
c. 128
d. 96
e. 101

11. For the data in problem 10, what is average product when $x_1 = 10$?
a. 138
b. 96
c. 104
d. 136
e. 105

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Quiz 6
Answer Key

Question	Correct Answer
1	b
2	b
3	d
4	a
5	c
6	b
7	e
8	a
9	b
10	b
11	e