**Problem set 2: Preferences and Utility**

[矩阵文本题] \*

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| Your name: | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Your ECNU student number: | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

1. Which of the following is NOT an assumption that we make about consumer preferences? [单选题] \*

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| Downward-sloping.(正确答案) |
| Transitivity. |
| Completeness. |
| Non-satiation. |

2. Why can't indifference curves be upward-sloping? [单选题] \*

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| It's a violation of the non-satiation principle.(正确答案) |
| It's a violation of the completeness principle. |
| It makes it impossible to calculate marginal utility. |
| All of these. |

3. How is marginal utility defined? [单选题] \*

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| The derivative of utility with respect to the number of goods consumed.(正确答案) |
| The total utility gained from consuming a bundle of goods. |
| The utility gained from consuming the first unit of a given good. |
| The utility gained from consuming only one good. |

4. How does the marginal rate of substitution change as you move along a non-linear indifference curve? [单选题] \*

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| It stays the same. |
| It depends on the specific shape of the indifference curve. |
| It declines.(正确答案) |
| It increases. |

5. What is an appropriate intuitive explanation of the principle of diminishing marginal utility? [单选题] \*

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| All of these.(正确答案) |
| Everyone gets tired of consuming the same thing eventually. |
| Consumers have a preference for diversity in consumption. |
| Consumers value more the first unit of any good they own, compared to the hundredth unit. |

6. Which of the following concepts is equivalent to the marginal rate of transformation between two goods? [单选题] \*

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| The ratio of the prices of the two goods. |
| The absolute value of the slope of the budget constraint. |
| The rate at which you can turn one good into the other good in the marketplace. |
| All of these.(正确答案) |

7. What happens to a consumer when the price of a good she consumes increases, or her income decreases? [单选题] \*

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| She is unambiguously worse off.(正确答案) |
| She is better off if a good's price increases, but worse off if her income decreases. |
| She may be better off or worse off, depending on her preferences. |
| She is unambiguously better off. |

8. How do we graphically represent the utility maximizing bundle that consumers can afford? [单选题] \*

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| The point of tangency between an indifference curve and the budget constraint.(正确答案) |
| The point where the budget constraint crosses the X or Y axis. |
| A point on the indifference curve that is to the right of the budget constraint. |
| The point at which the indifference curve and the budget constraint cross. |

9. You are consuming two goods, pizzas and movies. At your current bundle, the marginal utility you would gain from spending an extra dollar on pizza is higher than the marginal utility you would gain from spending an extra dollar on movies. What should you do? [单选题] \*

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| It depends on how much income you have. |
| Purchase more pizza.(正确答案) |
| Purchase more movies. |
| Don't change your purchases; you are already consuming the optimal bundle. |

10. What is the definition of a corner solution? [单选题] \*

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| An optimal bundle of two consumer goods in which the consumer does not spend all of his/her income. |
| None of these. |
| An optimal bundle of two consumer goods in which only one type of good is consumed.(正确答案) |
| An optimal bundle of two consumer goods in which the same amount of each good is consumed. |

11. What is the definition of the income elasticity of demand? [单选题] \*

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| The percentage change in quantity supplied for a given percentage change in income. |
| The percentage change in quantity demanded for a given percentage change in price. |
| The percentage change in quantity demanded for a given percentage change in the price of the other good. |
| The percentage change in quantity demanded for a given percentage change in income.(正确答案) |

12. What is a plausible example of a good with negative income elasticity (i.e., an inferior good?) [单选题] \*

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| Rice.(正确答案) |
| Sports cars. |
| Steak. |
| Jewelry. |

13. Assume you are consuming two goods, and the price of one increases. However, you are given extra income to ensure that your utility does not decrease. What happens to your consumption of the good with the higher price? [单选题] \*

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| It increases. |
| It may increase or decrease. |
| It decreases.(正确答案) |
| It stays the same. |

14. In order to analyze the total effect of a change in price on the total consumption of a good, we decompose it into two components. What are the names of these two components? [单选题] \*

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| The substitution effect and the income effect.(正确答案) |
| The substitution effect and the inferior effect. |
| The substitution effect and the normal effect. |