Pages 83-84

1. A
2. B
3. B
4. B
5. C
6. A
7. B
8. B

|  |  |  |
| --- | --- | --- |
|  | MU | MU/$ |
| 1 | 10 | 10 |
| 2 | 8 | 8 |
| 3 | 7 | 7 |
| 4 | 6 | 6 |
| 5 | 5 | 5 |
| 6 | 4 | 4 |
| 7 | 3 | 3 |

1. C
2. B

(Qn-Qd)/Qn+Qd/2

(Pn-Pd)/Pn+Pd/2

## Consumer Behavior

1. Consumer Behavior
   1. Utility
      1. Level of satisfaction that is derived from something
      2. A way of quantifying the unquantifiable
      3. You can’t say you’re “8 happy” but you can say “On a scale of 1-10 I am an 8”
   2. Law of Diminishing Marginal Utility
      1. Marginal = The extra on top
      2. You don’t get as much out of something after enough times
      3. The fourth time you’ve watched the movie isn’t as good as the first
   3. Utility maximizing rule
      1. Consumers will allocate their income such that the last dollar spent on each good yields the same marginal utility
      2. Marginal Utility X / Price X = Marginal Utility y / Price y
      3. MUx/Px = MUy/Py

|  |  |  |
| --- | --- | --- |
|  | MU | MU |
| 1 | 24 | 12 |
| 2 | 20 | 10 |
| 3 | 18 | 9 |
| 4 | 16 | 8 |
| 5 | 12 | 6 |
| 6 | 6 | 3 |
| 7 | 4 | 2 |