## Review Questions

5.

Who determines how much utility an individual will receive from consuming a good?

6.

Would you expect total utility to rise or fall with additional consumption of a good? Why?

7.

Would you expect marginal utility to rise or fall with additional consumption of a good? Why?

8.

Is it possible for total utility to increase while marginal utility diminishes? Explain.

9.

If people do not have a complete mental picture of total utility for every level of consumption, how can they find their utility-maximizing consumption choice?

10.

What is the rule relating the ratio of marginal utility to prices of two goods at the optimal choice? Explain why, if this rule does not hold, the choice cannot be utility-maximizing.

11.

As a general rule, is it safe to assume that a change in the price of a good will always have its most significant impact on the quantity demanded of that good, rather than on the quantity demanded of other goods? Explain.

12.

Why does a change in income cause a parallel shift in the budget constraint?