Problem Set 11  
Economics 101  
Due May 8, 2017 by 12:30 PM

1. Which of the following best describes consumer choice?
   a) The consumer buys whatever is possible
   b) The consumer maximizes utility subject to his/her budget constraint
   c) The consumer buys whatever is preferred
   d) The consumer reallocates according to the constraint.

2. Which of the following is determined by consumer choice?
   a) Technology
   b) Supply Curve
   c) Demand Curve
   d) Marginal Cost

3. The utility of a consumer is best shown on a two-dimensional graph by which of the following?
   a) Production Function
   b) “Typical-looking” cost curves
   c) Equilibrium price and quantity in the market
   d) Indifference curves

4. A budget constraint is best described as a curve that shows:
   a) The combinations of goods that a consumer can afford
   b) The limits on income of the consumer
   c) The line that connects quantities for the consumer
   d) Demand in the market

5. An indifference curve is best described as a curve that shows:
   a) The consumption bundles that a consumer does not like
   b) The bundles of goods that a consumer has
   c) The bundles of goods that a consumer can afford
   d) The combinations of goods that gives a consumer the same level of satisfaction

6. Which of the following is NOT a property of indifference curves?
   a) Higher indifference curves are preferred to lower ones
   b) Indifference curves are downward sloping
   c) Indifference curves can only cross once
   d) Indifference curves are bowed inward
7. A consumer that is optimizing would be likely to:

a) Purchase as much of each good as possible
b) Find the bundle of goods on the highest indifference curve among those on his budget constraint
c) Be as efficient as possible
d) Spend as little as possible

8. Consider a consumer that purchase only two goods: Pizza and Soda. What is the budget constraint of the consumer if it has income of $100, the price of a pizza is $10, and the price of a soda is $2?

9. If Point X and Point Y are on the same indifference curve:

a) The bundle represented by point X is preferred to the bundle represented by point Y
b) The bundle represented by point X is equally preferred to the bundle represented by point Y
c) The bundle represented by point Y is preferred to the bundle represented by point X
d) It is not possible to tell which bundle is preferred
10. If Point X is on a higher indifference curve than Point Y:

a) The bundle represented by point X is preferred to the bundle represented by point Y
b) The bundle represented by point X is equally preferred to the bundle represented by point Y
c) The bundle represented by point Y is preferred to the bundle represented by point X
d) It is not possible to tell which bundle is preferred

For Questions 11 – 13, please use the following diagram:

11. Which point represents a consumer that is optimizing?

12. Which point is preferred, but not within the budget constraint?

13. Which point is on the budget constraint, but is not the optimal point?

Please use the following graph for Question 14
14. Which two points in the following graph could not possibly be on the same indifference curve if the basic properties of indifference curves hold?

a) Points A and B  
b) Points B and C  
c) Points C and D  
d) Points D and E

15. Which of the following occurs when a consumer’s income increases?

a) The budget constraint shifts out  
b) The budget constraint shifts in  
c) The indifference curve shifts in  
d) The indifference curve shifts out

16. Which of the following occurs when a consumer’s income increases?

a) The consumer can move to a higher indifference curve  
b) The consumer must stay on the same indifference curve  
c) The consumer can move to a lower indifference curve  
d) It is not possible to say what the consumer will do

17. Which of the following occurs when a consumer’s income increases?

a) The consumer ends up with higher utility  
b) The consumer ends up with lower utility  
c) The consumer ends up with the same utility  
d) The change in utility for the consumer cannot be determined

18. Which of the following occurs when a consumer’s income increases?

a) The consumer is better off  
b) The consumer is worse off  
c) The consumer is equally well off  
d) The well-being of the consumer cannot be determined

19. Which of the following occurs when the price of Good X increases?

a) The budget constraint shifts out  
b) The budget constraint shifts in  
c) The budget constraint rotates in  
d) The budget constraint rotates out

20. Which of the following occurs when the price of Good Y decreases?

a) The budget constraint shifts out  
b) The budget constraint shifts in  
c) The budget constraint rotates in  
d) The budget constraint rotates out