Econ 202 Quiz 3

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

____ 1. A bottle of wine costs $8 and a quiche, $5. At Robert's present levels of consumption, he spends all his income and receives marginal utility of $10 from the last bottle of wine and marginal utility of $4 from the last quiche. To maximize his total utility, Robert should
a. buy less wine and more quiche.
b. buy more wine and less quiche.
c. spend all of his money on wine.
d. change his spending pattern until he buys 8/5ths as much wine as quiche.

____ 2. The theory of consumer choice is based on the hypothesis that each consumer wants to
a. maximize her total utility.
b. maximize her marginal utility.
c. minimize the rate at which her marginal utility diminishes.
d. minimize the percentage of her consumption diverted to inferior goods.

____ 3. The law of diminishing marginal utility explains why
a. most individual demand curves are straight lines.
b. the consumer's optimal purchase is at the tangency of an indifference curve and the budget line.
c. most individual demand curves slope downward.
d. marginal utility falls when total utility falls.

____ 4. Consumer's surplus
a. is the gap between total willingness to pay and the total market value of a good.
b. guarantees that the market value of a good in money is equal to the total economic value of the good.
c. is always negative because of diminishing marginal utility.
d. is the total area under a consumer's demand curve.

____ 5. In which case will the transition from short run to long run involve the shortest chronological time?
a. a service that provides temporary secretaries to companies
b. an automobile factory
c. a farm
d. an electric utility

Table 6-1

<table>
<thead>
<tr>
<th>Workers</th>
<th>Toys</th>
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</thead>
<tbody>
<tr>
<td>1</td>
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<tr>
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<td>30</td>
</tr>
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<td>5</td>
<td>35</td>
</tr>
</tbody>
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____ 6. In Table 6-1, the marginal physical product begins to diminish with the addition of the
a. second worker.
b. third worker.
c. fourth worker.
d. Marginal returns never diminish in Table 6-1.
Econ 202 Quiz 3
Answer Section

MULTIPLE CHOICE

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