

Quiz 3

NAME _____

Preferences

3.1 In Problem 3.1, Charlie's indifference curves have the equation $x_B = \text{constant}/x_A$, where larger constants correspond to better indifference curves. Charlie strictly prefers the bundle (7,15) to the bundle:

(a) (15,7).

(b) (8,14).

(c) (11,11).

(d) all three of these bundles.

(e) none of these bundles.

3.2 In Problem 3.2, Ambrose has indifference curves with the equation $x_2 = \text{constant} - 4x_1^{1/2}$, where larger constants correspond to higher indifference curves. If good 1 is drawn on the horizontal axis and good 2 on the vertical axis, what is the slope of Ambrose's indifference curve when his consumption bundle is (1,6)?

(a) $-1/6$ (b) $-6/1$ (c) -2 (d) -7 (e) -1

3.3 In Problem 3.8, Nancy Lerner is taking a course from Professor Goodheart who will count only her best midterm grade and from Professor Stern who will count only her worst midterm grade. In one of her classes, Nancy has scores of 50 on her first midterm and 30 on her second midterm. When the first midterm score is measured on the horizontal axis and her second midterm score on the vertical, her indifference curve has a slope of zero at the point (50,30). From this information we can conclude

(a) this class could be Professor Goodheart's but couldn't be Professor Stern's.