Quiz #1.  Name:
ECON 310 – Spring 2007 (ticket number 15615).

Multiple Choice (3 points each):

1) Chad’s preferences over beer and pretzels are “complete.” This means that
   a. if \( A \succ B \) and \( B \succ C \), then \( A \succ C \).
   b. the bundle \( A = (4,10) \) must be more desirable than the bundle \( B = (2,15) \).
   c. given a choice between any two consumption bundles, he is able to say which one he prefers.
   d. “more is better,” in that increased consumption of all goods would make him better off.
   e. None of the above answers are correct.

2) The income elasticity of demand for margarine is -0.20. This value suggests that
   a. a slight increase in the price of margarine would increase total consumer expenditures on margarine.
   b. butter is a complement to margarine.
   c. an increase in consumer income will lead to an increase in demand for margarine.
   d. an increase in consumer income will lead to a decrease in demand for margarine.
   e. More than one of the above answers must be correct.

Additional Question:

1) Consider a market in which demand is given by the linear function below:

\[
\begin{align*}
\text{Q} & = 2000 - \frac{Q}{20.00} \\
\text{Price} & = 20.00 \\
\text{Quantity} & = 2,000
\end{align*}
\]

i. Is demand “elastic,” “inelastic,” or “unit elastic” at a price of $15.00? Explain. (2 points)

ii. Could “Total Consumer Expenditures” in this market ever be equal to $12,500? Explain. (2 points)