Quiz #1. 
ECON 310 – Spring 2007 (ticket number 15619).

Multiple Choice (3 points each):

1) Chad’s preferences over beer and pretzels are “monotonic.” 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) Bill’s utility is given by the function $U(X) = x_1x_2$. It follows that his preferences over the three consumption bundles $A = (5,2)$, $B = (4,1)$, and $C = (3,4)$ could be summarized as:
   a. $A \sim B \sim C$.
   b. $B \prec A \sim C$
   c. $B \prec A \sim C$
   d. $B \prec C \prec A$
   e. None of the above answers are correct.

Additional Question:

1) The table below summarizes values for Price, Cross-Price, and Income Elasticities of Demand for “Product X” and “Product Y” under current market conditions. Based upon these values, answer the following (making reference to the relevant values in the table).

<table>
<thead>
<tr>
<th>Elasticity</th>
<th>Product X</th>
<th>Product Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Elasticity of Demand</td>
<td>-1.23</td>
<td>-0.87</td>
</tr>
<tr>
<td>Cross-Price Elasticity of Demand</td>
<td>-0.27</td>
<td>-0.19</td>
</tr>
<tr>
<td>Income Elasticity of Demand</td>
<td>0.43</td>
<td>0.56</td>
</tr>
</tbody>
</table>

i. To increase “Total Consumer Expenditures on Product X,” would the seller of this good have to slightly increase or slightly decrease price? Explain. (2 points)

ii. Would an increase in the price of “Product Y” lead to an increase or decrease in demand for “Product X”? Explain. (2 points)