

ECON 201
Summer 2018
Tutorial Questions week 4

- The following are a set of True/False/Explain questions. They are to be prepared for discussion in tutorial.
- Marks are only given for the explanation, NOT by simply saying "true" or "false"
- Note that the TA's will randomly select tutorial questions to be handed in for grading.

Tutorial Questions:

1. Assume that a certain individual consumes only goods 1 and 2. If the prices of good 1 and good 2 double and his income doubles, then the quantity demanded for goods 1 and 2 will not change.
2. All Giffen goods are inferior goods.
3. If, at the utility maximizing bundle of good 2 and good 1, the MRS of good 2 for good 1 is greater than p_1/p_2 , then good 1 is an inessential good.
4. Suppose that an individual consumes only two goods, good 1 and good 2. If the price of good 1 rises, with all else constant, and the price elasticity of demand for good 1 is -0.7, then the quantity of good 2 will increase.
5. Let good 1 be on the horizontal axis, and let the quantity of the composite commodity be on the vertical axis. Then, if the (absolute value of the) price elasticity of demand for good 1 is less than 1, the price consumption line is negatively sloped.