





7. In Italy, the government has a price floor for oranges. Any oranges produced but not otherwise sold are purchased by the government at this price and then dumped into the sea. True/False/Depends, and explain: this is an economically efficient price floor, because all oranges that are produced are sold in the end.

8. True/False/Depends, and explain: any Pareto efficient situation is also Kaldor-Hicks efficient.

9. Draw a plausible set of indifference curves for perfect complements.

10. True/False/Depends, and explain: For an inferior good, the income effect of a price change always reinforces the substitution effect.
11. Explain the difference between a change in demand and a change in quantity demanded. What causes each?
12. Joan's utility is described by  $U = X^{0.5} + Y^{0.5}$ . Find an expression for her marginal rate of substitution between X and Y ( $MU_X/MU_Y$ ).
13. Joan's income is 60. The price of X is 2 and the price of Y is 3. Write an expression for her income constraint or budget line.

14. Using the information from the previous two questions, how much of X and Y will Joan consume?

15. Why can't indifference curves cross?

16. Aaron's marginal utility for jelly beans is 10, and Billy's marginal utility for jelly beans is 5. True/False/Depends, and explain: It is fair to say that Aaron enjoys jelly beans more than Billy.

17. As the price of hamburger patties increases, what would you expect to occur in the market for hamburger buns? Why?

18. In an industry with positive network effects, monopoly is more likely than in a normal industry. Why should consumers not be too concerned about this possibility?
19. True/False/Depends, and explain: In an Edgeworth Box diagram, when one person's indifference curve intersects with the other's at the endowment, voluntary trade is always possible.
20. "Prices convey information." Explain this sentence.