Additional Problems for Chapter 4:

1) The theory of consumer behavior is based on certain assumptions. It includes at least the assumption(s) that preferences are:
   A) transitive.
   B) complete.
   C) intransitive.
   D) both A and B are correct.
   E) both A and C are correct.

2) Consider the following three market baskets:

<table>
<thead>
<tr>
<th></th>
<th>Food</th>
<th>Clothing</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>B</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>C</td>
<td>14</td>
<td>17</td>
</tr>
</tbody>
</table>

If baskets B and C are on the same indifference curve, and if preferences satisfy all four of the usual assumptions, then:
   A) A is preferred to B.
   B) A is preferred to C.
   C) both A and B answer choices are correct.
   D) none of the above.

3) The Marginal Rate of Substitution (MRS) is:
   A) the ratio of the marginal utilities
   B) the negative of the slope of the indifference curve
   C) the rate at which an individual is willing to substitute one good for another
   D) all the above are true

4) Indifference curves with a constant negative slope represent:
   A) two commodities, one is a good and one is a bad
   B) two commodities, both are goods and perfect substitutes
   C) two commodities, both are goods and perfect complements
   D) two commodities, both are goods, but neither perfect substitutes or complements