

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Envision a graph with meat on the horizontal axis and vegetables on the vertical axis. A strict vegetarian would have indifference curves that are: 1) _____
- A) upward sloping.
 - B) horizontal.
 - C) diagonal straight lines.
 - D) right angles.
 - E) vertical.
- 2) The change in the quantity demanded of a good resulting from a change in relative price with the level of satisfaction held constant is called the _____ effect. 2) _____
- A) real price
 - B) substitution
 - C) Giffen
 - D) income
- 3) The assumption of transitive preferences implies that indifference curves must: 3) _____
- A) have a positive slope.
 - B) be convex to the origin.
 - C) be L-shaped.
 - D) not cross one another.
 - E) all of the above.
- 4) Price elasticity of demand measures the 4) _____
- A) sensitivity of quantity demanded to changes in the price of substitute goods.
 - B) sensitivity of price to changes in the quantity demanded of substitute goods.
 - C) sensitivity of quantity demanded to changes in price.
 - D) slope of the demand curve.
- 5) Which of the following is NOT a generally accepted measure of the riskiness of an investment? 5) _____
- A) standard deviation.
 - B) expected value.
 - C) variance.
 - D) none of these.

