

07-Lecture-Demand-Functions

- 1 (#1) When Raj's graduate stipend rose by 20% (thanks MIT union!), his expenditures on fashionable 14.03/003 beachwear rose by only 8%.
What type of good is 14.03 beachwear for Raj?



- ☒ 14.03 beachwear is a *normal* good for Raj
 - B 14.03 beachwear is an *inferior* good for Raj
 - C *Indeterminate* (except that 14.03 beachwear certainly is fashionable)
 - D
- 2 (#2) When Prof. Autor earned tenure at MIT, he switched immediately from Maruchin Instant Ramen to Shin Black Instant Ramen

- A Maruchan Ramen is an *inferior* good for Autor
- B Maruchan Ramen was a *normal* good for Autor at his pre-tenure income level
- C *Neither A nor B*
- ☒ *Both A and B*

- 3 (#3) Nagisa eats 14.03 cereal daily, but she's promised herself that as soon as she earns her doctorate, she'll start eating Alpha-Bites cereal instead
During the pandemic, the price of 14.03 cereal *doubled*.
How do you think Nagisa's consumption of 14.03 cereal was affected (due to income and substitution)?

- A Substitution effect (−) ; Income effect (−)
- ☒ Substitution effect (−) ; Income effect (+)
- C Substitution effect (+) ; Income effect (−)
- D Substitution effect (−) ; Income effect (+)

- 4 (#4) Kate normally buys a new pair of tennis shoes annually. Following the Trump administration's tariffs on Chinese imports, the price of a basic pair of tennis shoes rose from \$100 to \$125.
Congress wants to compensate Kate and other consumers like her.
What's the minimum annual compensation that Congress should provide to Kate and fellow Kate-sumers?

- A Compensation > \$25
- B Compensation = \$25
- ☒ \$0 < Compensation < \$25
- D Compensation = \$0

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