

- 868 ● — Dorothy is trying to decide how to allocate her time between  
● — work and leisure. Suppose that she can work a maximum of 75  
● — hours per week. If she can earn \$15 per hour, the vertical  
intercept of her time allocation budget line (with income plotted  
vertically and leisure plotted horizontally) is:
- \$15. *Incorrect*
  - 75 hours. *Incorrect*
  - 5. *Incorrect*
  - \$1,125. (*True Answer*) *Correct*
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- 869 ● — Consider the time allocation budget line for Priya. Put hours of  
● — leisure on the horizontal axis and income on the vertical axis. If  
Priya can allocate 100 hours per week to either leisure or work  
and her wage per hour is \$18, then the vertical intercept is  
\_\_\_\_\_ and the slope of the time allocation budget line is  
\_\_\_\_\_.
- \$180; 18 *Incorrect*
  - \$1,800; 18 *Incorrect*
  - \$1,800; -18 (*True Answer*) *Correct*
  - \$720; 18 *Incorrect*
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- 870 ● — Miss Marple spends her entire leisure time gardening. She  
● — values the marginal utility of the last hour spent gardening at  
\$17. She could earn \$20 if she worked an additional hour.  
Assuming that Miss Marple wants to maximize her utility,  
which of the following is correct?
- She should spend more time gardening and less time  
working, since one needs to balance the stress of work with the  
relaxation provided by a hobby. *Incorrect*
  - She should spend more time gardening and less time  
working, since leisure activities are usually characterized by  
increasing marginal utility. *Incorrect*
  - She should reallocate her time away from gardening and  
toward more work. (*True Answer*) *Correct*
  - This question cannot be answered without knowing how  
many hours she spends working and how many hours she  
spends gardening. *Incorrect*
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- 871 ● — Kurt earns a wage of \$100 per hour; Jim earns a wage of \$10  
● — per hour. To maximize utility, Kurt works 45 hours per week  
and Jim works 50 hours per week. The equilibrium value of an  
additional hour of leisure is:
- higher for Jim than for Kurt. *Incorrect*

- higher for Kurt than for Jim. (*True Answer*) *Correct*
  - less than \$100 for Kurt. *Incorrect*
  - greater than \$10 for Jim. *Incorrect*
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872     The time allocation budget line shows an individual's:

- preferences for leisure and the income that allows consumption of marketed goods. *Incorrect*
  - trade-offs between the consumption of leisure and the income that allows consumption of marketed goods. (*True Answer*) *Correct*
  - labor supply for the consumption of leisure and the income that allows consumption of marketed goods. *Incorrect*
  - indifference between the consumption of leisure and the income that allows consumption of marketed goods. *Incorrect*
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873     Javon has 80 hours per week to allocate between labor and leisure. Measure hours of leisure per week on the horizontal axis and income per week on the vertical axis. If Javon's hourly wage is \$8, then the vertical intercept of his time allocation budget line is:

- \$8. *Incorrect*
  - \$640. (*True Answer*) *Correct*
  - 40 hours. *Incorrect*
  - 80 hours. *Incorrect*
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874     Javon has 80 hours per week to allocate between labor and leisure. Measure hours of leisure per week on the horizontal axis and income per week on the vertical axis. If Javon's hourly wage is \$8, then the horizontal intercept of his time allocation budget line is:

- \$8. *Incorrect*
  - \$640. *Incorrect*
  - 40 hours. *Incorrect*
  - 80 hours. (*True Answer*) *Correct*
- 

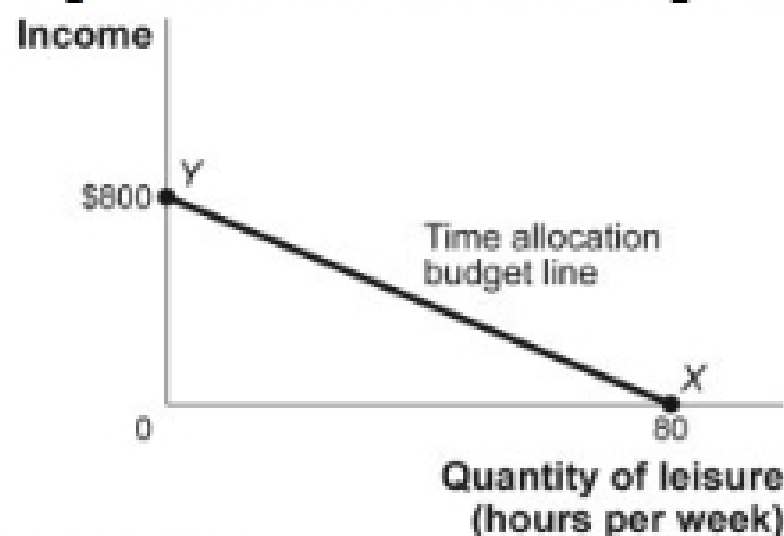
875     Javon has 80 hours per week to allocate between labor and leisure. Measure hours of leisure per week on the horizontal axis and income per week on the vertical axis. If Javon's hourly wage is \$8, then the opportunity cost of an hour of leisure is:

- \$8. (*True Answer*) *Correct*
- \$10. *Incorrect*

- \$640. *Incorrect*
- \$800. *Incorrect*

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- 876 ■ ■ ■ Javon has 80 hours per week to allocate between labor and leisure. Measure hours of leisure per week on the horizontal axis and income per week on the vertical axis. According to the optimal time allocation rule, Javon should allocate his time such that the marginal utility of an additional hour of leisure is:
- \$8. (*True Answer*) *Correct*
  - \$10. *Incorrect*
  - \$640. *Incorrect*
  - \$800. *Incorrect*

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- 877 ■ ■ ■ Figure: The Time Allocation Budget Line



Reference: Ref 19-1

(Figure: The Time Allocation Budget Line) In the figure The Time Allocation Budget Line, if the wage rate rises, then the time allocation budget line will rotate:

- left along the leisure axis. *Incorrect*
- up along the income axis. (*True Answer*) *Correct*
- right along the leisure axis. *Incorrect*
- down along the income axis. *Incorrect*

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- 878 ■ ■ ■ Figure: The Time Allocation Budget Line