

Pop-quiz 5

EC 308

October 4, 2021

Name.....

Select the best option. We learned that as wage increases, usually, the consumer consumes more and works more. Why?

1. IE dominates SE. This is because leisure becomes relatively cheaper than consumption good and consumer thus substitutes to a cheaper good, leisure.
2. Both consumption and leisure are normal goods.
3. SE dominates IE. This is because now leisure becomes relatively more expensive than consumption good and consumer thus substitutes away from more expensive good to a cheaper good, consumption.
4. IE and SE cancel out each other.