   d. the total personal value of six bananas exceeds the total expenditure to purchase six bananas.
7. Buyers consider Marlboro cigarettes and Budweiser beer to be complements. If Marlboro just increased its prices, what would you expect to occur in the Budweiser market?
   a. Demand would rise, and Budweiser would reduce price.
   b. Demand would fall, and Budweiser would reduce price.
   c. Demand would fall, and Budweiser would increase price.
   d. Demand would rise, and Budweiser would increase supply.
8. Which of the following is the reason for the existence of consumer surplus?
   a. Consumers can purchase goods that they "want" in addition to what they "need."
   b. Consumers can occasionally purchase products for less than their production cost.
   c. Some consumers receive temporary discounts that result in below-market prices.
   d. Some consumers are willing to pay more than the price.
9. A bakery currently sells chocolate chip cookies at a price of $16 per dozen. The marginal cost per dozen is $8. The cookies are becoming more popular with customers, and so the bakery owner is considering raising the price to $20/dozen. What percentage of customers must be retained to ensure that the price increase is profitable?
   a. 28.0%
   b. 33.3%
   c. 66.6%
   d. 72.0%
10. Suppose your firm adopts a technology that allows you to increase your output by 15%. If the elasticity of demand is −3, how should you adjust price if you want to sell all of your output?
    a. 5% lower
    b. 0.5% lower
    c. 15% higher
    d. 15% lower

Individual Problems

6-1 Elasticity of T-shirt Sales

George has been selling 5,000 T-shirts per month for $8.50. When he increased the price to $9.50, he sold only 4,000 T-shirts. What is the demand elasticity? If his marginal cost is $4 per shirt, what is his desired markup and what is his initial actual markup? Was raising the price profitable?

6-2 Demand Curves with Same Values

Suppose there are 10 individuals with values as follows: {10, 8, 8, 8, 8, 8, 8, 4, 0, 0}.

Construct a demand schedule (table), and calculate the marginal revenue of the second unit sold.

6-3 Increasing Movie Ticket Prices

To conduct an experiment, AMC increased movie ticket prices from $9.00 to $10.00 and measured the change in ticket sales. Using the data over the following month, they concluded that the increase was profitable. However, over the subsequent months, they changed their minds and discontinued the experiment. How did the timing affect their conclusion about the profitability of increasing prices?

6-4 Nike Demand (inelastic)

If demand for Nike running shoes is inelastic, should Nike raise or lower price?

6-5 Promotional Pricing

An end-of-aisle price promotion changes the price elasticity of a good from −2 to −3. If the normal price is $10, what should the promotional price be?

6-6 Bar Nuts

Why do bars offer free peanuts?

Group Problem

G6-1 Pricing

Describe a pricing decision your company has made. Was it optimal? If not, why not? How would you adjust price? Compute the profit consequences of the change.