



Resource 4 – Exercises

1. Below are listed a potential set of preference orderings for three individuals Maynard, Milton, and Milo. Can you identify whose preferences violate the assumption of **transitivity** discussed earlier in the resource, and can you explain the reason behind your choice?

	Apples vs. Pears	Pears vs. Oranges	Apples vs. Oranges
Maynard	Apples	Pears	Apples
Milton	Pears	Oranges	Oranges
Milo	Apples	Pears	Oranges

2. Gary Becker, the economist whose theory of criminal rationality was described earlier, similarly argued that an addiction to harmful substances such as alcohol or cigarettes could be rational. In brief, Becker believed that individuals who consumed these goods can be viewed as utility-maximisers, rather than 'addicts'. Use the concepts introduced in earlier resources to answer the following short-answer questions:
 - a. If a smoker is aware of the dangerous consequences of their addiction, could it be rational for this individual to continue the habit anyway? Explain.
 - b. Do you think that a smoker with a higher discount rate will smoke more frequently than a smoker with a lower discount rate? Explain. Further, do you think a smoker is more likely to quit with a higher or lower discount rate?
 - c. If smokers are rational, would we expect anti-smoking advertisements, such as graphic imaging on cigarette packets, to have an effect? If there was an effect on behaviour, what would this suggest about individuals who smoke?