

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 170 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I cannot give extra time because some students have a class after your class.

1) (8 points) Drawing directly on Figure #1, find EITHER the opportunity costs of the fourth pen OR the opportunity costs of the second bat. Show all work.

2) (16 points) Answer EITHER Part A OR Part B.

A) Explain the relationship between the demand curve and the opportunity costs.

B) Economic theory says that producing more ethanol from corn causes more starvation in the world. Explain the economics behind this statement using economic theory.

3) (16 points) Answer EITHER Part A OR Part B.

A) Draw the PPF (PPC) for cars versus magazines. Illustrate a new aluminum ore deposit. Explain why the curve moved as drawn.

B) Draw the PPF (PPC) for textbooks versus pears. Illustrate an increase in the population. Explain why the curve moved as drawn.

4) (20 points) Answer EITHER Part A OR Part B.

A) Illustrate an increase in the population on the supply/demand for computers. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Illustrate an expected future increase in the price of rings on the supply/demand for rings. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

5) (20 points) Answer EITHER Part A OR Part B.

A) Illustrate an increase in the price of school buses on the supply and demand for tractor trailers. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Illustrate an increase in the cost of oil on the supply and demand for gasoline. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

6) (20 points) Answer EITHER Part A OR Part B.

A) Illustrate a price ceiling on bread. Explain why price ceilings cost the consumer more.

B) Illustrate a price floor on milk. Explain the economic problem this causes. If the government wanted to solve that problem without removing the floor, what could it do? Explain how that would help to solve the problem.

