

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 160 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) (10 points) Drawing directly on Figure #1, find EITHER the opportunity costs of the fourth hat OR the opportunity costs of the second iPod. Show all work.

2) (10 points) Answer EITHER Part A OR Part B.

A) What is wrong with the following statement? “When the cost of a raw material increases, it causes a reduction in supply. That drives the price up and reduces the demand. Therefore, both curves move to the left.”

B) In figure #1, would the point (4.7, 0) be efficient, inefficient, or unattainable? Explain your logic.

3) (10 points) Answer EITHER Part A OR Part B.

A) Explain using terms from economics why few people play basketball at noon.

B) When listing the opportunity costs of going to college, it is possible that meals should be on that list for some students, but it is possible that they should not on that list for other students. Explain how it should be on one person’s list but should not be on another person’s list.

4) (12 points) Answer EITHER Part A OR Part B.

A) The *Law of Comparative Advantage* states that if one country has a comparative advantage in one good, then the other country must have a comparative advantage in the other good. Prove this is true using opportunity costs.

B) Explain how opportunity costs relate to the supply curve.

5) (18 points) Answer EITHER Part A OR Part B.

A) Draw the PPF for cameras versus roses. Illustrate an increase in the population. Explain why the curve moved as drawn.

B) Draw the PPF for hardwood floors versus telephones. Illustrate the effects of a law which reduces the areas which can be used for logging. Explain why the curve moved as drawn.

6) (20 points each) Answer TWO of the following questions.

A) Draw the supply and demand for small, fuel-efficient, cars. Illustrate the effect(s) of an increase in the price of gasoline. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Draw the supply and demand for compact disks. Illustrate the effect(s) of an increase in the royalties paid artists for the sales of their albums. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

C) Draw the supply and demand for car windshields. Illustrate the effect(s) of an increase in the price of glass cookware. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

