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 150 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) Two common phrases, "There is no such thing as a free lunch." and "Time is money." came from economists. Explain the economic logic behind ONE of those two phrases.

2) (12 points) Answer EITHER Part A OR Part B.
A) Explain why public goods are a reason for government intervention in the market.
B) What is wrong with the statement, "When inflation goes up, it means prices are up, so the average person cannot afford to buy as much. That is why high, but fully anticipated, inflation is a problem."?

3) (14 points) Answer EITHER Part A OR Part B.
A) Illustrate an improvement in computer technology on the PPF (PPC) of computers and desks. Explain why the curve moved as drawn.
B) How do we see the opportunity costs of roses on the PPF (PPC) of guns and roses? Prove you have the correct answer.

4) (14 points) All statistics in economics have a problem with the definition of the variable. For EITHER real per capita GDP OR the unemployment rate, what are TWO problems which reduce the reliability of the statistic? Explain how that causes problems with the statistic.

5) (14 points) Answer EITHER Part A OR Part B.
A) When you are taking the second half of the final, you will be assuming that lags do not exist. What are they and how do they cause problems with monetary OR fiscal policy?
B) Draw the MD curve and explain why it takes its shape.

6) (18 points) Answer EITHER Part A OR Part B.
A) What is the problem facing Social Security? How would reducing benefits reduce the problem? Would you use that method to solve the problem. Why or why not?
B) What is the problem facing Social Security? How would increasing the return on the "lock box" be achieved and how will it reduce the problem? Would you use that method to solve the problem. Why or why not?

7) (18 points) Answer EITHER Part A OR Part B.
A) Illustrate an increase in the price of wood on the supply and demand for doors. Explain why the curve(s) moved as drawn. What happened to the price of doors and the quantity of doors sold?
B) Illustrate an increase in the price of oil on the supply and demand for corn. Explain why the curve(s) moved as drawn. What happened to the price of doors and the quantity of doors sold?