

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. **Except for Question #1, I will not grade what is written on this sheet.**

1) (12 points) For this question, you can draw directly on the graph. **However, do all calculations and explanations in the bluebook.** Answer EITHER Part A OR Part B.

A) Approximately, what is the opportunity costs of the 10th coat? Show all work in the bluebook and briefly explain how you found it.

B) Approximately, what is the opportunity costs of the 5th fan? Show all work in the bluebook and briefly explain how you found it.

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

A) State the Law of Comparative Advantage. What does it imply about whether or not we should have free trade? Explain your logic.

B) The Dropkick Murphy's song "Kiss Me I'm #!@*faced" says, "I designed the Sears Tower. I make two grand an hour. I make the world's best duck flambé." Use logic from economics to determine whether or not he should make his own duck flambé. Assume for the sake of argument that those statements he made are true.

3) (12 points) Answer EITHER Part A OR Part B.

A) Some economics textbooks describe economics as the study of incentives. Explain how incentives relate to any of the graphs studied so far this semester.

B) What does *ceteris paribus* mean? Why should I put that into most of the questions on this exam?

4) (14 points) Answer EITHER Part A OR Part B.

A) Draw the PPF for leather coats and hamburgers. Illustrate the effects of a disease which kills a lot of cattle. Explain why the curve moved as drawn.

B) Draw the PPF for computers and bottled water. Illustrate the effects of a new source of rare earth elements. (Rare earth elements are extremely hard to find and are used in making computers.) Explain why the curve moved as drawn.

5) (16 points each) ANSWER TWO of the following parts.

A) Draw the supply and demand for pasta. Illustrate the effects of more people becoming diabetic. (Diabetics are not supposed to eat much pasta.) Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Draw the supply and demand for doors. Illustrate the effects of an increase in the price of wood. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

C) Draw the supply and demand for toilet paper. Illustrate the effects of an increase in the price of books. Explain why the curve(s) moved as drawn. What happens to the price of toilet paper and quantity of toilet paper sold?

6) (20 points) Draw the supply and demand for hats. Illustrate the effects of EITHER a price ceiling OR a quota on hats. Explain why your diagram looks as drawn. How does that affect the consumers and producers? Explain your logic.

