

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 7th coat? Show all work in the bluebook and briefly explain how you found it.

B) Approximately, what is the opportunity costs of the 6th 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 I should re-roof my house or pay somebody to do it? Explain your logic.

B) Use economic logic to explain why you should not have “pulled an all-nighter” last night.

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 is meant by an *economic model*? Give an example of an economic model we used this semester.

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

A) Draw the PPF for books and computers. Illustrate the effects of a war. Explain why the curve moved as drawn.

B) Draw the PPF for gasoline and bottled water. Illustrate the effects of the discovery of a new oil field. Explain why the curve moved as drawn.

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

A) Draw the supply and demand for beef. Illustrate the effects of more people getting high cholesterol. (People with high cholesterol are not supposed to eat much beef.) Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Draw the supply and demand for filing cabinets. Illustrate the effects of an increase in the price of steel. 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 floor OR a tax on hats. Explain why your diagram looks as drawn. How does that affect the consumers and producers? Explain your logic.

