

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

A) Use terminology and logic from economics to explain this quotation from the Billy Joel song, *It's Still Rock and Roll To Me*. "Should I be a straight A student? If you are then you think too much."

B) Use terminology and logic from economics to explain the statement, "time is money."

2) (14 points) Answer EITHER Part A OR Part B.

A) Draw the PPF for wooden desks and floors. Illustrate the effects of a major forest fire in the forests which were about to be harvested. Explain why the curve moved as drawn.

B) Draw the PPF for Mexican vacations and snowshoes. Illustrate the effects of the major earthquake which destroyed many buildings in a tourist resort in Mexico. Explain why the curve moved as drawn.

3) (18 points) Answer EITHER Part A OR Part B.

A) Draw the supply and demand for winter coats in Eastern Europe. Illustrate the effects of climate change. (Climate change is supposed to make winters in Eastern Europe colder and snowier.) Explain why the curve(s) moved as drawn. What happens to the price and quantity of winter coats?

B) Draw the supply and demand for solar panels. Illustrate the effects of an decrease in the price of electricity. Explain why the curve(s) moved as drawn. What happens to the price and quantity of solar panels?

4) (18 points) Answer EITHER Part A OR Part B.

A) Draw a normal shaped PPF for grocery bags and t-shirts. You do not need a scale. Find a point on the graph where the opportunity costs of a t-shirt is approximately 2 bags. Explain how you found the point.

B) Draw the line  $Y = 7 - (3/2)X$ . Find the Y-intercept, X-intercept, and slope. Show all work.

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

A) Draw the supply and demand for tour buses. Illustrate the effects of the price of school buses going up. Explain why the curve(s) moved as drawn. What happens to the price and quantity of tour buses?

B) Draw the supply and demand for computers. Illustrate the effects of decrease in the price of computer chips. Explain why the curve(s) moved as drawn. What happens to the price and quantity of computer chips? Explain your logic.

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

A) Draw the supply and demand for hats. Illustrate the effects of a price ceiling on hats. Explain why your graph changed as drawn. Are consumers helped or hurt? Explain your logic. Are producers helped or hurt? Explain your logic.

B) Draw the supply and demand for vests. Illustrate the effects of a quota restricting the number of vests which can be made. Explain why your graph changed as drawn. Are consumers helped or hurt? Explain your logic. Are producers helped or hurt? Explain your logic.