

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) Answer EITHER Part A OR Part B.

A) President Obama negotiated a treaty called the Trans-Pacific Partnership (TPP). It would have created free trade between the USA and 11 other countries. However, President Trump withdrew us from the TPP. Which president did what was the best for our economy? (Ignore all other actions taken by the two presidents.) Explain your logic.

B) State the Law of Comparative Advantage. Explain why it intuitively makes sense. You do NOT need to give the mathematical proof.

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

A) The idiom, "There is no such thing as a free lunch." comes from economists. Use economic theory and terminology to explain why it is true.

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

3) (14 points) Answer EITHER Part A OR Part B.

A) Draw a PPF for tobacco and chickens. (North Carolina grows a lot of both of them.) Illustrate the effects of the extremely dangerous Hurricane Florence hitting North Carolina. Explain why the curve moved as drawn.

B) Draw the PPF for coats and hats. Illustrate the effect of a new technology which creates a warm material with fewer resources used. Explain why the curve moved as drawn.

4) (16 points) Answer EITHER Part A OR Part B.

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

B) Draw the supply and demand for roses. Illustrate what happens the second week of February. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

5) (16 points) Answer EITHER Part A OR Part B.

A) Draw the supply and demand for automobiles. President Trump has put tariffs on imported steel and aluminum, which causes the price of steel and aluminum to go up. Illustrate the effects of an increase in the price of steel and aluminum on the supply and demand for cars. Explain why the curve(s) moved as drawn. What happens to the price of a car and the quantity sold?

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

6) (16 points) Answer EITHER Part A OR Part B.

A) Draw a line with a slope of -2 and a vertical intercept of 6. Briefly explain how you got the graph.

B) Draw a line through points (1, 3) and (4, 0). Calculate the slope showing all calculations. Briefly state what you did.

7) (18 points) Answer EITHER Part A OR Part B.

A) Draw the supply and demand for cars. Illustrate the effects of a quota on cars. Explain why the diagram changed as drawn. What happens to the price and quantity sold? Do consumers benefit or are they hurt? Explain your logic. Are producers helped or hurt? Explain your logic.

B) Draw the supply and demand for rent. Illustrate the effects of a price ceiling on rent. Explain why the graph looks as drawn. Do consumers benefit or are they hurt? Explain your logic. Are producers helped or hurt? Explain your logic.