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) In the song "Dopeman" by Less Than Jake, they explain why people sell dope stating, "It is either that or
working for minimum wage at the 7-Eleven."  Explain what they are saying using terms and logic from
economics.
B) There is a well known saying, "There is no such thing as a free lunch."  Why isn't the lunch free to you even
when somebody else is paying?  Explain what they are saying using terms and logic from economics.

2) (10 points) Answer EITHER Part A OR Part B.
A) What is the most common type of rationing done in the United States?  Explain how that works.
B) What is meant by a complement in production?  Give an example in your answer.

3) (12 points) Answer EITHER Part A OR Part B.
A) For this question, all you need to know about the TPP is that if it had become law, it would have been a free
trade area involving about a dozen countries.  What is the Law of Comparative Advantage?  Use it to determine
whether that means the TPP would have been a good idea.  Explain your logic.
B) What is the Law of Comparative Advantage?  Prove that it is true.

4) (14 points) Answer EITHER Part A OR Part B.
A) Draw a PPF for cameras and telephones.  Find a point where the opportunity costs of a camera is approxi-
mately 2 phones.  Explain why you feel that points has that opportunity costs.
B) Draw the PPF for cell phones and light bulbs.  Illustrate the effects of an increase in the population.  Explain
why the curve moved as drawn.

5) (16 points) Answer EITHER Part A OR Part B.
A) Draw a PPF for a country producing candles and notebooks.  Draw a point where the country is producing
inefficiently.  Explain how you found the point.
B) Draw the supply and demand for sliced ham.  Illustrate the effects of an increase in the price of slice cheese.
Explain why the curve(s) moved as drawn.  What happens to the price of ham and the quantity sold.

6) (18 points) Answer EITHER Part A OR Part B.
A) Draw the supply and demand diagram for school buses.  Illustrate the effects of a decrease in the price of
long-haul trucks.  Explain why the curve(s) moved as drawn.  What happens to the price of a bus and the
number sold?
B) Draw the supply and demand diagram for hamburgers at McDonald's.  Illustrate the effects of an increase in
the price of buns.  Explain why the curve(s) moved as drawn.  What happens to the price of a hamburger and
the number of them sold?

7) (20 points) Answer EITHER Part A OR Part B.
A) Draw the supply and demand for corn.  Illustrate the effects of a price ceiling.  Explain why the graph
changed as drawn.  Prove that both consumers and farmers are hurt.
B) Draw the supply and demand for coats with a flat demand and a steep supply.  Illustrate the effects of a tax
on coats.  Explain why the curve(s) moved as drawn.  Given your diagram, who pays most of the tax?  Explain
how your diagram shows that.