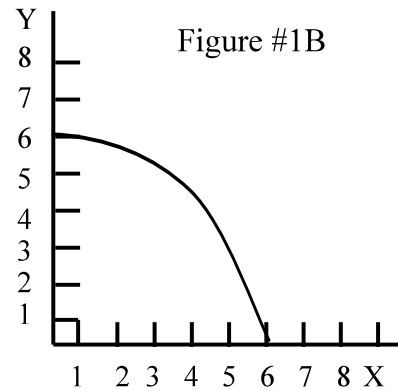Write your name on the cover of the test booklet and nowhere else. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 14-point question should take 7 minutes. I can give some extra time, but not much.

1) (10 points) Answer EITHER Part A OR Part B.
A) Given an example of a normative statement. Explain why it is a normative statement.
B) Use the diagram to the right to estimate the slope of the curve for the point X = 2. Briefly explain how you did the calculation.

Figure #1B

2) (14 points) Answer EITHER Part A OR Part B.
A) Is the absolute value of the slope of the PPF (PPC) the opportunity costs of the good on the X-axis or the good on the Y-axis? Explain your logic.
B) State the law of comparative advantage. Prove it with EITHER a mathematical proof OR an economic proof.

3) (16 points) Answer EITHER Part A OR Part B.
A) Assume that Ms. Gentile values her time at $150/hour because that is the rate she gets for consulting. Suppose that Joe College values his time at $6/hour. Assume it costs $400 to fly from their hometown to San Francisco and the flight takes 6 hours. The same trip by bus takes 24 hours and costs $200. Which is the cheaper way for each of them to make the trip? Explain your logic.
B) Suppose a friend currently working as a salesperson in a local computer store. She is thinking about going back to school full time to finish her degree, which she has one year left. She earns $45,000 after taxes, per year. Tuition will cost $4800 per year. Books, fees, etc. cost $2400 per year. The university is across the street from her employer. Her rent is $1050 per month including utilities. She spends about $600 per month on food and other expenses. If she goes back to school, she will still live in the same apartment. Calculate her opportunity costs of going back to school. Briefly explain how you got your answer.

4) (18 points each) Answer TWO of the following parts. Illustrate the event on the supply and demand for wood desks. Explain why the curve(s) moved as drawn.
A) Companies hire more managers.
B) The price of wood floors increases.
C) The price of nails increases.

5) (24 points) Answer EITHER Part A OR Part B.
A) SUVs cause air pollution. What term do economists use for that? Illustrate the problem on the supply and demand for SUVs. Illustrate the best intervention for the government. Explain how the diagram shows the problem and explain how the government's action solves the problem.
B) Illustrate a price ceiling on the supply and demand for a good. Explain how your diagram shows a price ceiling and explain why it hurts consumers.