

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) Explain how we concluded that the intersection of supply and demand is normally the socially optimal price and quantity.

B) The Law of Unintended Consequences says there will be some result of a change in policy which is not anticipated. Explain why this is true using the economic term *incentives*.

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

A) How do opportunity costs relate to the supply curve? Explain your logic.

B) According to the song, "Kiss me, I'm S**t Faced," by the Dropkick Murphys, he says, "...I make two grand an hour. I make the world's best duck flambeé." If all of that was true, why shouldn't he cook his own duck flambeé? Explain the logic as to why he should hire somebody to cook the duck flambeé.

3) (12 points) Answer EITHER Part A OR Part B.

A) Draw a PPF for cars and doors. Place a point on the PPF near the horizontal axis. Is the opportunity costs of doors large or small there? Explain your logic.

B) State the Law of Comparative Advantage. Explain why it makes sense making sure you explain how it relates to the real world.

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

A) Draw the PPF (a.k.a. PPC) for shorts vs. plows. Illustrate the effects of the development of a new lighter cloth. Explain why the curve moved as drawn.

B) Draw the PPF (a.k.a. PPC) for machines vs. food. Use it to explain why it is hard for developing countries to have economic growth.

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

A) Draw a graph for X and Y. Put a scale up to 10 on each axis. Draw a line through the points (2, 8) and (10, 4). Calculate the slope. Show all work and give a one sentence explanation for how you found the points and how you found the slope.

B) Draw a graph for X and Y. Put a scale up to 10 on each axis. Draw the line $Y = 4 - \frac{1}{2}X$. Explain how you found the line. What are the values of the Y-intercept and the X-intercept. Show all work and briefly explain what you did.

6) (18 points) Answer EITHER Part OR Part B.

A) Draw the supply and demand for music by M.I.A. Illustrate the effects of people discovering her music because she performed with Madonna at half-time of the Superbowl. Explain why the curve(s) moved and tell me what happens to the price and quantity sold.

B) Draw the supply and demand for houses in the Bethany area. Illustrate the effects of an increase in the population. Explain why the curve(s) moved and tell me what happens to the price of houses and quantity sold.

7) (20 points) Answer EITHER Part A OR Part B.

A) Draw the supply and demand for the concrete curbs on roads. Illustrate the effects of an increase in the price of concrete sculptures. Explain why the curve(s) moved and tell me what happens to the price of cars and quantity sold.

B) Egypt has a quota restricting the sales of satellite dishes. Illustrate the effects of that quota on the supply and demand for satellite dishes. Prove that it hurts the consumers.