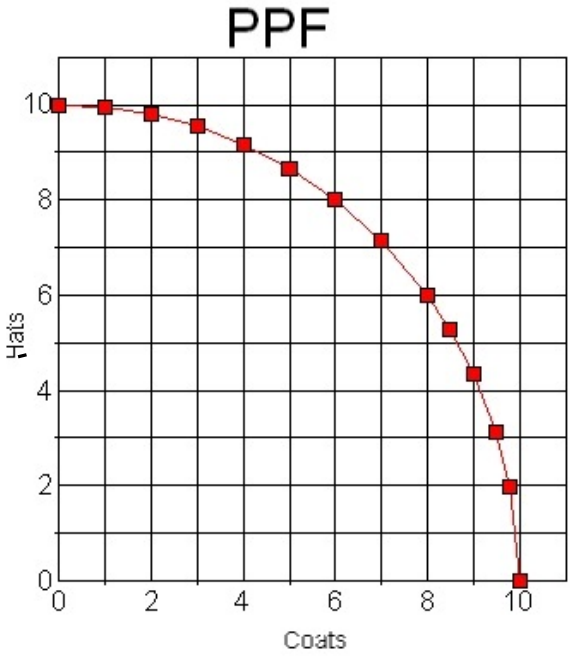
Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 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. **Except for Question #2, I will not grade what is written on this sheet.**



1) (10 points) Answer EITHER Part A OR Part B.
A) Give an example of how incentives are used in economics.
B) When I ask you to show the effects of an event on the supply and demand diagram, I should put *ceteris paribus* as part of the question. What does that mean and why is it important?

2) (12 points) For this question, you can draw directly on the graph. **However, do all calculations in the bluebook.** Answer EITHER Part A OR Part B.
A) Approximately, what is the opportunity costs of the 9th coat? Show all work in the bluebook and briefly explain how you found it.
B) Approximately, what is the opportunity costs of the 8th hat? Show all work in the bluebook and briefly explain how you found it.

3) (12 points) Answer EITHER Part A OR Part B.
A) Use economic terms and logic to explain why you should not have "pulled an all-nighter" last night.
B) When grading the second homework assignment, I accepted some students' stating that housing is an opportunity cost, but I did not accept it for most students. Explain both how it could be an opportunity cost and why it might not be an opportunity cost.

4) (16 points) Answer EITHER Part A OR Part B.
A) Draw the supply and demand for heavy coats. Illustrate the effects of the recent weather. (Believe it or not, according to WTOV9, Sunday's high will be 8°.) Explain why the curve(s) moved as drawn. What happens to the price and quantity?
B) Draw the supply and demand for Ford F150 pickup trucks. Illustrate the effect of an increase in the price of the Toyota Tundra pickup truck. Explain why the curve(s) moved as drawn. What happens to the price and quantity of the F150 pickup trucks?

5) (16 points) Draw a PPF for milk and computers. Illustrate the effects of EITHER an increase in the number of cows OR a new computer chip which requires less material. Explain why the curve moved as drawn.

6) (16 points) Answer EITHER Part A OR Part B.
A) Draw the supply and demand for riding lawn mowers. Illustrate the effects of an increase in the price of motorcycles. Explain why the curve(s) moves as drawn. What happens to the price and quantity of riding lawnmowers?
B) Draw the supply and demand for cars. Illustrate the effects of an increase in the price of steel. Explain why the curve(s) moved as drawn. What happens to the price and quantity?

7) (18 points) Draw the supply and demand for bread. Illustrate EITHER a price ceiling OR a price floor. Draw the line such that it moves the market away from equilibrium. Find the new quantity supplied and quantity demanded. What problem is caused by that? State how you found that. How does the market attempt to correct this problem? Explain your logic.