

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) In economics, we use many models. Give an example of one we have already this semester.

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 some students did not go to the review session.

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 gasoline. Illustrate the effects of people switching to hybrid cars. Explain why the curve(s) moved as drawn. What happens to the price and quantity?

B) Draw the supply and demand for a Bethany College education. Illustrate the effect of an increase in the tuition at West Liberty University. Explain why the curve(s) moved as drawn. What happens to the price and quantity of the Bethany College education?

5) (16 points) Draw a PPF for leather coats and automobiles. Illustrate the effects of EITHER an increase in the number of cows OR a new fuel efficient motor. 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 brick houses. Illustrate the effects of an increase in the price of bricks. 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.

