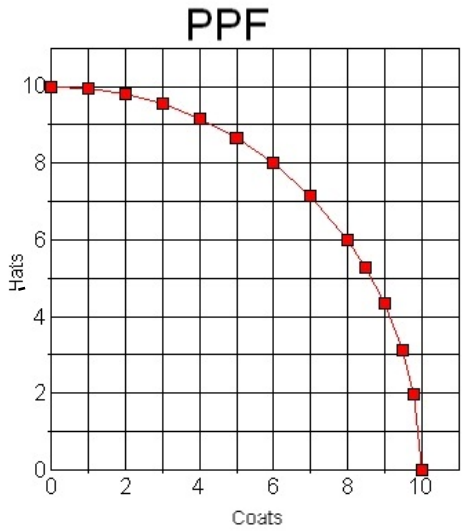
Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every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



1) (12 points) For this question, you can draw directly on the graph. **However, do all calculations and explanations in the bluebook.** Answer EITHER Part A OR Part B.
A) Approximately, what is the opportunity costs of the 4th coat? Show all work in the bluebook and briefly explain how you found it.
B) Approximately, what is the opportunity costs of the 9th hat? Show all work in the bluebook and briefly explain how you found it.

2) (12 points) Answer EITHER Part A OR Part B.
A) Implicitly, I should be saying *ceteris paribus* many times every class. What does it mean? When should I be saying it and why?
B) Draw the points (0,4) and (2, 3). Plot a line between the points. Write the equation for the line in the standard slope-intercept form. BRIEFLY state what you did.

3) (14 points) Answer EITHER Part A OR Part B.
A) Some students pay for their textbooks themselves while others have their parents pay for the textbooks. Which group is more likely to buy the textbook? Explain your logic using terminology from economics.
B) I did a calculation for a friend. If he bought a new water saving toilet, his water bill and sewer bills would drop enough that he would pay off the toilet in about 8 months. Use terminology from economics to explain why he did not buy a new toilet.

4) (18 points) Answer EITHER Part A OR Part B.
A) Draw the PPF for doors and cars. Illustrate the effects of an earthquake which destroys a lot of buildings. Explain why the curve moved as drawn.
B) Draw the PPF for dresses and suits. Illustrate the effects of an improved sewing machine. Explain why the curve moved as drawn.

5) (20 points) Draw the supply and demand for wool hats. Illustrate the effects of EITHER the event in Part A OR the event in Part B. Explain why the curve(s) moved as drawn. What happens to the equilibrium price and quantity?
A) A disease kills a large number of sheep.
B) Tomorrow night it is supposed to be well below 0°F. (That is the actual forecast.)

6) (24 points) Answer EITHER Part A OR Part B.
A) Draw a supply and demand diagram for tobacco. Draw a price floor which affects the market. What is the problem caused by the floor? Explain how you know that is the problem. If the government does nothing, how will the market correct the problem? Explain your logic.
B) Draw the supply and demand for doors. Illustrate the effects of an increase in the price of kitchen tables. Explain why the curve(s) moved as drawn. What happens to the price and quantity of doors sold? Show the before and after price and quantities on the graph.