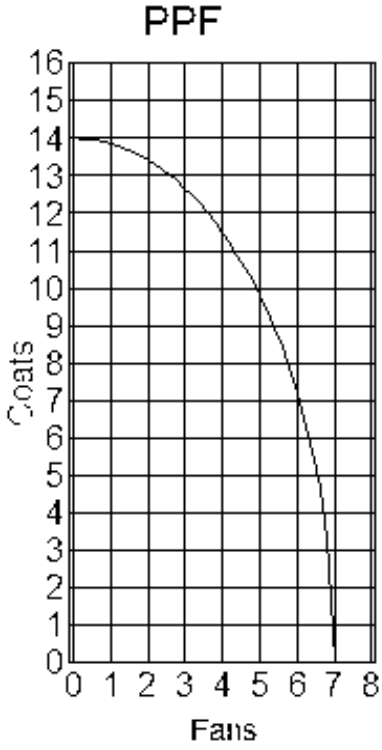
Wilfrid W. Csaplar Jr., Ph.D. Economics 163-2 Exam #1 2017/2/17

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) (14 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 7th coat? Show all work in the bluebook and briefly explain how you found it.
B) Approximately, what is the opportunity costs of the 6th fan? Show all work in the bluebook and briefly explain how you found it.



2) (10 points) Answer EITHER Part A OR Part B.
A) One of the items on the list of things which moves the supply curve is really an example of opportunity costs. Which item is that? Explain your logic.
B) Use terminology and logic from economics to explain why you should not "pull an all-nighter" on the night before the exam.

3) (16 points) Draw a PPF for leather hats and cars. Illustrate the effects of EITHER a disease killing a lot of cattle OR the invention of a car engine which uses less material and gets more MPG. Explain why the curve moved as drawn.

4) (18 points each) Answer TWO of the following questions.
A) Draw the supply and demand for organic food. Illustrate the effects of people trying to live healthier lives. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold.
B) Draw the supply and demand for corn in the grocery store. Illustrate the effects of increased use of biodegradable plastic. (That type of plastic is normally made from corn oil.) Explain why the curve(s) moved as drawn. What happens to the price of corn in the grocery store and quantity sold?
C) Draw the supply and demand for Starbucks coffee. Illustrate the effects of an increase in the price of raw coffee beans. Explain why the curve(s) moved as drawn. What happens to the price of Starbucks and the quantity of coffee sold?

5) (24 points) Answer EITHER Part A OR Part B.
A) Draw the supply and demand for water. Some countries have proposed a price ceiling on water. Illustrate the effects of that on the diagram. Explain why you changed the diagram as you did. Find the consumer surplus, producer surplus, deadweight loss, and any other important area (if appropriate) for both before and after the ceiling's implementation. State how you got them.
B) Draw the supply and demand for gasoline. Suppose there was a tax on gasoline. Illustrate the effects of that event on the graph. Explain why you changed the diagram as you did. Find the consumer surplus, producer surplus, deadweight loss, and any other important area (if appropriate) for both before and after the tax's implementation. State how you got them.

TODAY at 3:30 in Richardson 110, a sports economist will be talking about bias in sports judging.