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 170 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) (12 points) Answer EITHER Part A OR Part B.
A) In the song "Dopeman", Less Than Jake sings "It's either selling dope or working for minimum wage at the 7-11." Use terminology and logic from this course to explain what they mean. (They are not endorsing selling dope, they are explaining why it is done.)
B) There is a common phrase, "Time is money." Use terminology and logic from this course to explain what they mean.

2) (12 points) For EITHER the item in Part A OR the item in Part B, give me a number which you would guess to be the elasticity of demand. Explain how you reached your conclusion. (The number you give will be marked correct providing it agrees with your logic. Most of the points will be for your logic.)
A) Nike shoes
B) Food at an all day concert

3) (14 points) Answer EITHER Part A OR Part B.
A) Draw a PPF for cotton clothing and light bulbs. Suppose the government bans the best pesticide for killing boll weevils. (Boll weevils destroy cotton plants.) Illustrate the effects of the ban. Explain why the curve moves as drawn.
B) Draw a PPF for clocks and jewelry. Illustrate the effects of a new gold mine opening up. Explain why the curve moved as drawn.

4) (18 points) For EITHER the data in Part OR the data in Part B, calculate the elasticity of demand using both the arc formula and the point formula. Write the equation you used and show all work. What type of elasticity is that? Explain your logic.
A) At a price of $10/unit they sell 40 and at a price of $30/unit they sell 20.
B) At a price of $5/unit they sell 100 and at a price of $50/unit they sell 50.

5) (20 points) Answer EITHER Part A OR Part B.
A) Draw a PPF for raincoats and hats and use it to prove the law of comparative advantage.
B) On the homework question about opportunity costs of going to college, I accepted room and board from some students but not others. Explain the criteria I used and why I used it. On the homework question about moving the PPF when the population increased, I did not accept the logic that with more people we need more produced. Why didn't I accept that logic?

6) (24 points) Answer EITHER Part A OR Part B.
A) Draw the supply and demand for cars. Illustrate the effects of assembly line workers getting an hourly pay increase. Explain why the curve moves as drawn. What happens to the price and quantity sold? Find the consumer surplus and producer surplus before and after the pay increase. Which is bigger?
B) Draw the supply and demand for riding lawnmowers. Illustrate the effects of a decrease in the price of motorcycles. Explain why the curve moves as drawn. What happens to the price of lawnmowers and quantity of lawnmowers sold? Find the consumer surplus and producer surplus before and after the price increase. Which is bigger?