

If you are not in the classroom with me, you must be on Zoom with both your camera and microphone on.

<https://zoom.us/j/2818112563?pwd=Qm9LNHJQSmFLUGgrTlhsczcvWUR5dz09>

Do NOT write your name anywhere. (Canvas will tell me who turned in the exam.) Take pictures of your answers and use your own app or one of the pages I have links to on my home page to create a PDF for each answer which requires an upload. If it is large, resize it to A4. Upload that to Canvas. Upload each answer as a separate file with that question. Failure to follow directions will cost you one point. People with Apple products may need to use CamScanner app.

You are not allowed to use your books, notes, the internet, or other people when taking this test.

You can use the internet to access Canvas and to convert your answers to PDF files. Nothing else.

If you run out of time or lose your internet connection, you can do a second submission. You do NOT have to redo the questions you already did. I will be able to see every submission. If you have problems, you can always contact me via Zoom or e-mail.

Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 150 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 have it set up to only give you an hour and a half.

1) (10 points) Answer EITHER Part A OR Part B.

A) In the song “It’s Still Rock and Roll To Me”, Billy Joel sings, “Should I be a straight A student? If you are, then you think too much.” Use terminology and logic from this course to explain his logic.

B) In the song “Dopeman” by Less Than Jake, they sing, “Think about it for a minute more. It’s either work at McDonalds or the corner store or a quick money fix from a deal or two.” Explain what they are saying using terminology and logic from this class.

2) (12 points) Answer EITHER Part A OR Part B.

A) What are the two reasons why you should start saving for retirement now? Briefly explain both reasons.

B) Your book lists four keys to development of the economy. One of them is to *limit protectionism*. Define that and explain how that helps the country to grow.

3) (14 points) Answer EITHER Part A OR Part B.

A) What is *adverse selection*? How does using a financial intermediary reduce that problem?

B) All statistics have problems with the definition which makes the variable less useful than we would like. What are two problems with the GDP? Explain those problems.

4) (16 points) Answer EITHER Part A OR Part B.

A) Draw the supply and demand for school buses. Illustrate the effects of a decrease in the price of long-haul trucks. Explain why the curve(s) moved as drawn. What happens to the price and quantity of school buses?

B) Draw the supply and demand for batteries. Illustrate the effects of an increase in the price of lithium. (Lithium is a major part of the best batteries.) Explain why the curve(s) moved as drawn. What happens to the price and quantity of batteries sold?

5) (16 points) Answer EITHER Part A OR Part B.

A) Draw a supply and demand diagram for coats with a price floor. Explain why the floor is where you put it. What is the problem caused? Do not worry about fixing the problem.

B) Draw the supply and demand for gasoline, which creates a negative externality. Prove the market will not produce optimally. Do not worry about fixing the problem.

6) (16 points) Answer EITHER Part A OR Part B.

A) What is the long-term problem facing Social Security? What are the two trends which mean the problem will get worse for at least a few decades? One proposal to reduce the problem is to cut the Social Security benefits for all. How would that reduce the problem? If you were President, would you include that as part of a bundle of solutions? Explain your logic.

B) Suppose that a project costs \$1000. If completed, it would allow the firm to sell 1 item to each of 400 people at a profit of \$5 per item. There is a negative externality which affects 500 people at a cost of \$1 per person. Should this project be done? Would the market provide it? Would the government provide it? Show all work for each calculation and briefly explain what you did.

7) (16 points) Answer EITHER Part A OR Part B.

A) Draw a PPF for toilet paper and hand sanitizer. Illustrate the effects of COVID-19 hitting in March of 2020. Explain why the curve moved as drawn.

B) There are several reasons why monetary policy may not have the desired effects. (In other words, the second half of the final may be useless.) Explain ONE of those reasons including why the results of the monetary policy may not be what we predict. Two of the reasons are easier with a graph. If you choose one of them, use an appropriate graph.