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 16-point question should take 8 minutes. Because of the class that follows your class, I cannot give you extra time.

1) (12 points) Assume that you are going on a date on Valentine's Day. What are the opportunity costs of giving your date a dozen red roses? Explain your logic.

2) (14 points) Do EITHER Part A OR Part B.
A) What is the opportunity costs of an apple at point A on the PPF (PPC) graph to the right? Explain your logic and show all work.
B) Use the term "opportunity costs" to prove that students should not "pull an all-nighter" on the night before an exam.
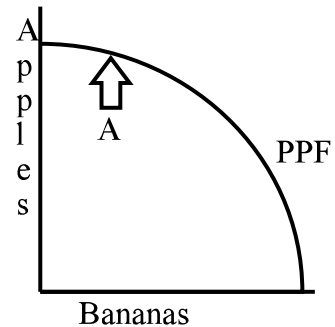
3) (16 points) For EITHER the reason in Part A OR the reason in Part B, explain why it is an **economic** reason for a government.
A) Public goods.
B) Judicial system.

4) (18 points each) Illustrate TWO of the following events on the supply and demand for economics textbooks. Draw each event on separate graphs. Explain why the curve(s) moved as drawn.
A) The government reduces the number of acres of woodland that can be cut down.
B) The government taxes books on economics because they do not want the citizens to read them. (If citizens read books on economics, they would realize that Bush's policy, of cutting taxes **while** spending a large amount more, makes no sense.)
C) There are more economics majors.

5) (22 points) Do EITHER Part A OR Part B.
A) Suppose the government wanted to make a college education affordable. To reach this goal, the government places a price ceiling on college tuition. Illustrate this on the supply and demand for a college education. Explain why the curve(s) moved as drawn. What is the problem with this policy?
B) Illustrate a negative externality on the supply and demand for a good. What is the best policy action for the government to take, to correct the problem? Explain why that action will correct the problem and explain why at least one other policy is not as good a choice.