Wilfrid W. Csaplar Jr., Ph.D.   Economics 202   Exam #1 Makeup   2023/9/14

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 150 points (to be scaled up to 210 points) and is scheduled to take 75 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 I have a meeting after your class.

1) (10 points) Answer EITHER Part A OR Part B.
A) Use terminology and logic from this course to explain why you should not have "pulled and all-nighter" (gone without sleep) the night before the exam.
B) Business professors get paid more than Art professors. Use terminology from this course to explain why they are paid more.

2) (10 points) Answer EITHER Part A OR Part B.
A) What is wrong with this argument? "When more people decide they like electric vehicles, it causes the price to go up. That causes the supply to increase. Therefore, both supply and demand increase.
B) On a PPF diagram, is it possible for an economy to be inside the PPF? What do we call that situation?

3) (14 points) Answer EITHER Part A OR Part B.
A) What are your opportunity costs of taking this exam? State at least two and explain how you reached that conclusion.
B) When Ross Perot ran for President in 1992, he said that if we signed a free trade agreement with Mexico, we would hear a great sucking noise of all of our jobs going to Mexico. What is wrong with his logic? State the law we discussed that proves him wrong.

4) (16 points) Answer EITHER Part A OR part B.
A) Draw a PPF for pants and corn. Illustrate the effects of an increase in the number of people. Explain why the curve moved as drawn.
B) Draw a PPF for machines and food. Find a point on the graph where the opportunity costs of 1 machine is 2 units of food. Explain how your graph shows that opportunity costs.

5) (16 points) Answer EITHER Part A OR Part B.
A) Draw the graph for $Y = 4 - (2/3)X$. What are the slope, Y-intercept, and X-intercept? Show all work. If there is no work, state how you got your answer.
B) Draw the line through the points $(0, 5)$ and $(2, 2)$. What is the slope of the line? Show all work.

6) (20 points) Answer EITHER Part A OR Part B.
A) Draw the supply/demand diagram for bread. Illustrate the effects of the increased number of diabetics in the USA. (Diabetics should limit the amount of bread and other carbohydrates which they eat.) Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?
B) Draw the supply/demand diagram for solar panels. Illustrate the effect of people finding out that my solar panels mean my electric bill in May was about $8. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

7) (20 points) Answer EITHER Part A OR part B.

A) What is the most common way to ration goods in the USA? Explain how that works. Give another example of how goods can be rationed. Explain how that works.
B) Draw the supply/demand diagram for tobacco. There used to be a price floor on tobacco. Illustrate the effects of that on the diagram. Explain why the diagram changed as drawn. What problem is created? If the government does nothing, how will the market solve that problem? Explain how that occurs.

8) (20 points) Answer EITHER Part A OR Part B.
A) Draw the supply/demand diagram for desks. Illustrate the effects of an increase in the price of doors. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?
B) Draw the supply/demand diagram for denim jeans. Illustrate the effects of an increase in the price of cotton. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

9) (24 points) Answer EITHER Part A OR Part B.
A) Draw a supply/demand diagram for parks. Parks cause positive externalities. Prove that the market will not create the optimal quantity and price. How do economists say this problem should be reduced? Do NOT draw that solution. Give another example of a positive externality.
B) In 2008, Mexico put price ceilings on many types of processed food. Illustrate the effects of that event on the supply/demand for canned chillies (one of the products with a ceiling). Explain why the diagram changed as drawn. Are producers helped or hurt by this action? Explain your logic. Are consumers helped or hurt by this action? Explain your logic.
https://www.theguardian.com/world/2008/jun/20/mexico.food (Do not go to it now.)