

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 I have a meeting after your class.

1) (12 points) Answer EITHER Part A OR Part B.

A) Use terminology from this class to explain business professors get paid more than art professors.

B) For the homework question about the opportunity costs of college, for some students, I accepted room and meal plan, but for other students, I did not accept them. What was the difference between the answers that I accepted and the ones I rejected? Explain why that matters.

2) (14 points) For EITHER promote competition OR public goods, define what it means and explain why we need a government to do that.

3) (18 points) Answer EITHER Part A OR Part B.

A) Draw a PPF for food and cars. Illustrate the effects of President Trump kicking out people who are here illegally. (According to the National Agriculture Workers Survey, 44% of farm workers are illegal immigrants.) Explain why the curve moved as drawn.

B) Draw a PPF for desks and shirts. Find where we would be if there was a high unemployment rate. Explain how you chose that point. (There are many correct points with the same explanation.)

4) (18 points) Answer EITHER Part A OR Part B.

A) Draw a S/D diagram for televisions. Illustrate the effects of people's income going up. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Draw a S/D diagram for electric vehicles. Illustrate the effects of people becoming concerned about climate change. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

5) (18 points) Answer EITHER Part A OR Part B.

A) Draw a S/D diagram for wooden desks. Illustrate the effects of the price of doors going down. Explain why the curve(s) moved as drawn. What happens to the price and quantity of desks sold?

B) Draw a S/D diagram for fire trucks. Illustrate the effects of the price of steel going down. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

6) (20 points) Answer EITHER Part A OR Part B.

A) In some places, there are price ceilings on rent. Draw a S/D diagram for that. Explain why the diagram looks as drawn. Does this help or hurt renters? Explain your logic.

B) Draw a PPF for hats and coats. Find a point where you think the opportunity costs of a coat is 2 hats. Explain how you chose that point.