

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) (8 points) Drawing directly on Figure #1, find EITHER the opportunity costs of the fourth pen OR the opportunity costs of the second bat. Show all work.

2) (16 points) Answer EITHER Part A OR Part B.  
A) You have probably heard the phrases, “time is money” and “there is no such thing as a free lunch.” Explain both of these using economic theory.  
B) Economic theory says that producing more ethanol from corn causes more starvation in the world. Explain the economics behind this statement using economic theory.

3) (16 points) Answer EITHER Part A OR Part B.

A) Draw the PPF (PPC) for wooden desks versus softball bats. Illustrate a new aluminum ore deposit. Explain why the curve moved as drawn.

B) Draw the PPF (PPC) for computers versus doors. Illustrate an increase in the amount of capital which exists. Explain why the curve moved as drawn.

4) (20 points) Answer EITHER Part A OR Part B.

A) Illustrate an increase in the income of the population on the supply/demand for cars. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Illustrate an increase in the price of peanut butter on the supply/demand for jelly. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

5) (20 points) Answer EITHER Part A OR Part B.

A) Illustrate an increase in the price of wooden doors on the supply and demand for dining room chairs. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Illustrate an increase in the cost of cream on the supply and demand for ice cream. 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) Illustrate a quota on gasoline. Explain why your graph looks as drawn. Are consumers helped or hurt? Explain your logic. Are producers helped or hurt? Explain your logic.

B) Illustrate a price floor on milk. Explain the economic problem this causes. If the government wanted to solve that problem without removing the floor, what could it do? Explain how that would help to solve the problem.

