

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 some students have a class after your class.

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

A) Use economic terms and theory to explain why few people drive hybrid cars or purely electric cars even though they are better for the environment and most people care about the environment.

B) The great ska-core band Less Than Jake sang the song "Dopeman." Explain the first verse and chorus (copied below) using economic terms and theory.

Dopeman dopeman's got another big plan;
To sell it to you or anyone he can;
Because this is much better than minimum wage;
No matter how things work he's still gonna get paid;
Think about it for a minute more -;
It's either work at McDonalds or the corner store;
A quick money fix from a deal or 2;
When a decision comes down;
What would you do?

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

A) What is meant by a *public good*? Why is that an argument for a government?

B) What is the most common method of rationing in the USA? Give an example of rationing in the USA which is **not** done using that method. Explain how that product or service is rationed.

3) (12 points) Answer EITHER Part A OR Part B.

A) Draw a line connecting the points (1,6) and (5,0) on a graph. Calculate the slope. Show all work.

B) Suppose you had a PPF with bananas on the vertical axis and pears on the horizontal axis. How would you find the opportunity costs of the 5th pear? Explain how you would do it **without** actually doing it. Why does that method work?

4) (14 points) Answer EITHER Part A OR Part B.

A) Draw a PPF (PPC) for computers vs. wooden desks. Illustrate the effects of an improved computer technology. Explain why the curve moved as drawn.

B) Draw a PPF (PPC) for computers vs. wooden desks. Illustrate the effects of new ban on harvesting wood. Explain why the curve moved as drawn.

5) (16 points each) Answer TWO of the following.

A) Draw the supply and demand for pens. Illustrate the effects of increase in the population. Explain why the curve(s) moved as drawn. What happens to the price charged and quantity sold?

B) Draw the supply and demand for guacamole. (It is made from avocados.) I saw on television that the price of avocados had spiked up this year. Illustrate the effects of this on the supply and demand for guacamole. Explain why the curve(s) moved as drawn. What happens to the price charged and quantity sold?

C) Draw the supply and demand for cotton shopping bags. Illustrate the effects of an increase in the price of cotton underwear. Explain why the curve(s) moved as drawn. What happens to the price charged and quantity sold?

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

A) Draw the supply and demand diagram for a product like gasoline which creates air pollution. Use it to prove that the socially optimal level of pollution is not achieved. What do economists say is the best way to solve this problem? Illustrate the effects of that action on the diagram and explain how it solves the problem of inefficient level of production.

B) Draw the supply/demand for housing. Put a price ceiling on the graph. Explain why the graph looks as drawn. Prove that this hurts the consumers.