

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. **Except for Question #2, I will not grade what is written on this sheet.**

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

- A) In the song, "Only the Good Die Young," Billy Joel sang, "Aw, but they never told you the price that you pay. For things that you might have done." Use terminology from this course to explain what he means and why that is important to Virginia. (He is singing to a woman named Virginia.)
- B) What is wrong with the statement, "My opportunity costs of taking this test are the ink in my pen, an hour of sleep, and studying for another class."?

2) (12 points) For this question, you can draw directly on the graph. **However, do all calculations in the bluebook.** Answer EITHER Part A OR Part B.

- A) Approximately, what is the opportunity costs of the 6th coat? Show all work in the bluebook and briefly explain how you found it.
- B) Approximately, what is the opportunity costs of the 8th hat? Show all work in the bluebook and briefly explain how you found it.

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

- A) In your bluebook, draw the line $Y = 3 - \frac{1}{2}X$. State how you knew how to draw it.
- B) Opportunity costs play an important role in the supply curve. Explain how they affect it.

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

- A) Draw the PPF for wool sweaters and houses. Illustrate the effect of a new improved saw. Explain why the curve moved as drawn.
- B) Draw the PPF for cars and soft drinks. Illustrate the effects of the discovery of a new source of aluminum. Explain why the curve moved as drawn.

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

- A) Draw the supply and demand for textbooks in Economics. According to the Wall Street Journal, the median starting salary for an Economics major is higher than the median starting salary for majors in Business, Accounting, and Finance. Illustrate the effects of that news on the supply and demand for Economics textbooks. Explain why the curve(s) moved as drawn. What happens to the quantity of Economics textbooks sold and their price? (Source: <http://online.wsj.com/public/resources/documents/info-Degrees that Pay you Back-sort.html>)
- B) Draw the supply and demand for doors. Illustrate the effect of an increase in the price of chairs. Explain why the curve(s) moved as drawn. What happens to the price of doors and the quantity of doors sold?
- C) Draw the supply and demand for lettuce. Illustrate the effect of an increase in the wages paid migrant farm workers. Explain why the curve(s) moved as drawn. What happens to the price of lettuce and the quantity of lettuce sold?

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

- A) Draw the supply and demand for hiring teenagers. Firms demand (buy) the work of the teenagers and the teenagers supply the labor. Bernie Sanders wants to raise the minimum wage (a price floor on wages) to \$15/hour. Illustrate the minimum wage on the diagram. Explain why you changed the graph as drawn. Given your diagram, what problem is created? Explain your logic. Will this help him achieve his goal of hiring more teenagers? Explain your logic.
- B) Draw the supply and demand for telephones. Illustrate the effects of a price ceiling on telephones. Explain why the graph looks as drawn. What is the problem created by the ceiling? Explain how the market would resolve this problem.

