

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) In the song “Dopeman” by Less Than Jake, they sing, “It's either work at McDonalds or the corner store. A quick money fix from a deal or two.” Use terminology from this course to explain what they are saying.

B) In the song “It’s Still Rock And Roll To Me” by Billy Joel, he sings, “Should I try to be a straight 'A' student? If you are then you think too much.” Use terminology from this course to explain what he is saying.

2) (10 points) Answer EITHER Part A OR Part B.

A) What is the law of comparative advantage? Does that mean free trade is good or bad? Explain your logic.

B) Explain how opportunity costs relates to the supply curve.

3) (14 points) Do EITHER Part A OR Part B.

A) Draw the PPF for cotton clothing and refrigerators. Illustrate the effects of an improved fertilizer. Explain why the curve moved as drawn.

B) According to a document I found online, the Tigrai (also spelled Tigray) area of Ethiopia produces a lot of cotton and wheat. There is a war there, which the UN has called a worse humanitarian disaster than Ukraine. Draw the PPF for cotton and wheat in Tigrai. Illustrate the effects of the war on the PPF. Explain why the curve moved as drawn. DO NOT READ THESE ARTICLES NOW. <http://ethiopianchamber.com/Data/Sites/1/2012/%20EC/Attachments/Tigray-Major%20Investment%20Opportunities.pdf>
<https://theblackwallstimes.com/2022/08/19/who-chief-says-humanitarian-crisis-in-ethiopia-worse-than-ukraine/>

4) (16 points) Answer EITHER Part A OR Part B.

A) Draw the supply/demand diagram for lamb chops. Illustrate the effects of people finding out that they are worse for cholesterol than beef. (That means they are bad for people with heart problems.) Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Draw the supply/demand diagram for new cars. Illustrate the effects of people’s real income decreasing. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

5) (16 points) Answer EITHER Part A OR Part B.

A) Draw the supply/demand diagram for clothing. Illustrate the effects of a decrease in the price of cotton. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

B) Draw the S/D diagram for corn in the grocery store. Illustrate the effects of an increase in the price of compostable trash bags. (Compostable trash bags are typically made from corn oil.) Explain why the curve(s) moved as drawn. What happens to the price and quantity of corn sold in the supermarket?

6) (16 points) Answer EITHER Part A OR Part B.

A) Draw a PPF for cars and food. Find a point where you think the opportunity costs of a car is 2 units of food. Explain how you reached that conclusion that the opportunity costs is 2 units of food.

B) Suppose that your GPA is a function of the hours of studying you do a day. The function is given by $GPA = -1 + \text{Hours}/2$, where Hours is the number of hours a day you normally study on a weekday. Draw that graph for hours between 0 and 9. State how you know which variable goes on which axis, what the vertical intercept is, and what the slope is.

7) (18 points) Answer EITHER Part A OR Part B.

A) Draw the supply and demand for phones. Illustrate a price ceiling on the diagram. Explain why you changed the graph as drawn. Prove that consumers are hurt.

B) Draw the supply and demand for alcohol. Illustrate a price floor on the diagram. Explain why you changed the graph as drawn. What is the problem caused by the floor? If the government does nothing, what will happen on the graph? State how you knew that.