

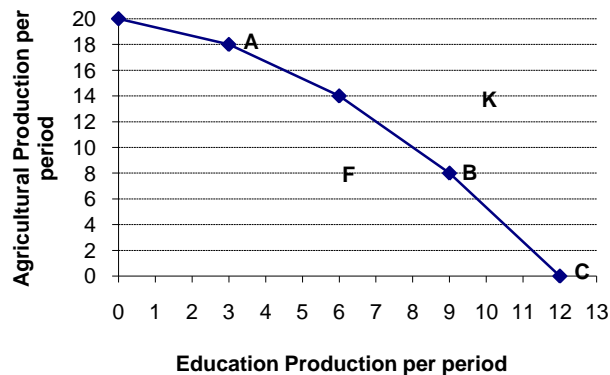
Instructions: Answer all of the following 25 questions (each worth 4 points). Using pencil, mark your answers on the answer sheet provided. Mark the test version number in the "date" space of the answer sheet (the version number is found at the bottom of this page). Print your name and student number clearly on the answer sheet. Fill in the bubbles corresponding to your student number, leaving the top box blank (or inserting a dash there) and filling in the "0" bubble in the top row.

Keep this copy of the test - turn in only the answer sheet.

No calculators are allowed in the exam and your answers to the test should consist entirely of your own work.

Answers will be posted on the class web site as soon as possible. GOOD LUCK!

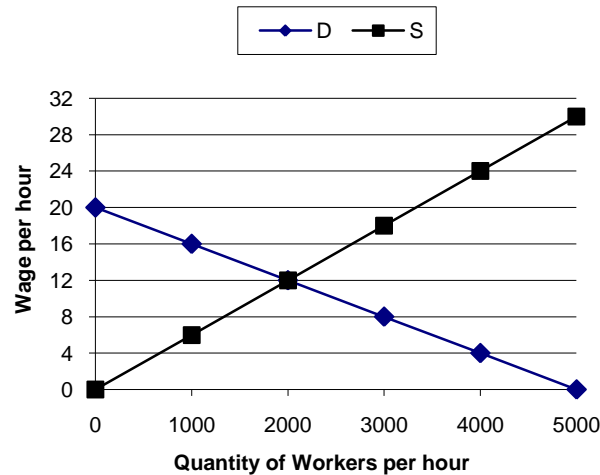
1. Ceteris paribus, a given increase in the supply of a good will generate a **larger** increase in the equilibrium quantity of the good traded when
- Demand is perfectly inelastic
 - Demand is relatively inelastic
 - Demand is relatively elastic
 - Demand decreases at the same time that supply increases



2. If the economy is operating at point B, the cost of 3 additional units of education per period will be
- 3 units of agricultural production per period
 - 9 units of agricultural production per period
 - 8 units of agricultural production per period
 - 0 units of agricultural production per period
3. Successful advertising by the Vogue Cigarette Company would
- cause a downward movement along the existing demand curve for Vogue cigarettes
 - cause an upward movement along the existing demand curve for Vogue cigarettes
 - shift the demand curve for Vogue cigarettes to the left
 - shift the demand curve for Vogue cigarettes to the right

Country	Production per year
Malawi	15 units X or 30 units Y
Ringon	8 units X or 24 units Y

4. The table above shows the production possibilities for two countries, Malawi and Ringon, which produce goods X and Y. Based on this information and assuming constant opportunity costs for simplicity, the opportunity cost of producing one unit of Y in Ringon is
- 3 units of X
 - 1/3 units of X
 - 1/2 units of X
 - 2 units of X



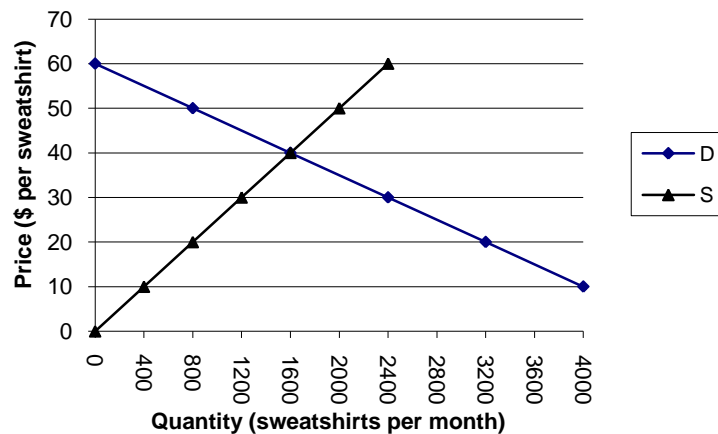
5. The graph above shows the demand and supply of workers in a given market. At equilibrium, consumer surplus from hiring labor is
- \$12 per hour
 - \$2,000 per hour
 - \$24,000 per hour
 - \$16,000 per hour
 - \$8,000 per hour
6. Comparative advantage is the ability to
- produce a good or service at a higher opportunity cost than another economic agent
 - produce a good or service at the same opportunity cost as another economic agent
 - produce more of a good or service than another economic agent
 - produce a good or service at a lower opportunity cost than another economic agent
 - c and d are both correct
7. If the college athletic department lowers the price of football tickets from \$8 to \$6 and as a result the revenue earned from football ticket sales rises, we could reasonably conclude that the demand for football tickets
- does not obey the law of demand
 - has increased
 - is inelastic
 - is elastic
 - has decreased

8. Ceteris paribus, an increase in the number of college graduates will
- Increase the employment and earnings of college graduates
 - Decrease the employment and earnings of college graduates
 - Increase the employment, but decrease the earnings of college graduates
 - Decrease the employment, but increase the earnings of college graduates
 - Have no effect on the employment or earnings of college graduates

Country	Production per year
Malawi	15 units X or 30 units Y
Ringon	8 units X or 24 units Y

9. The table above shows the production possibilities for two countries, Malawi and Ringon, which produce goods X and Y. Ceteris paribus, based on this information and assuming constant opportunity costs for simplicity, which of the following trades would be possible and would make both countries better off? (Hint: drawing the PPFs for the countries may help you)

- Malawi trades away 5 X for 12 Y from Ringon
- Malawi trades away 5 X for 30 Y from Ringon
- Ringon trades away 12 Y for 12 X from Malawi
- Ringon trades away 12 X for 5 Y from Malawi



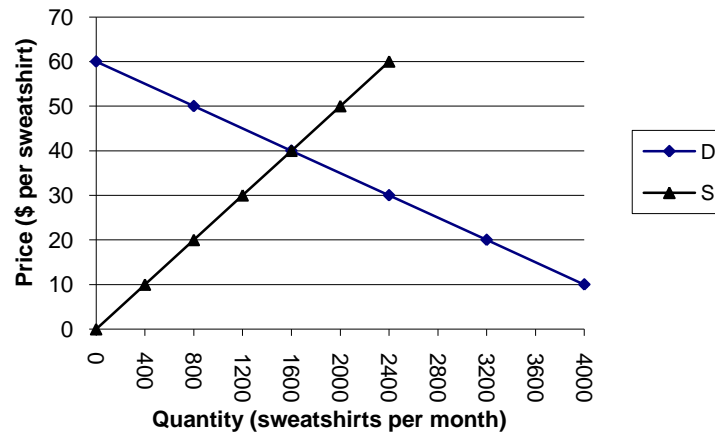
10. The graph above shows the demand and supply for MSU sweatshirts per month. If the cost of cotton (an input for the production of sweatshirts) rises, a possible new equilibrium price and quantity of sweatshirts could be

- P = \$50; Q = 800
- P = \$50; Q = 2000
- P = \$40; Q = 1600
- P = \$30; Q = 1200
- P = \$30; Q = 2400

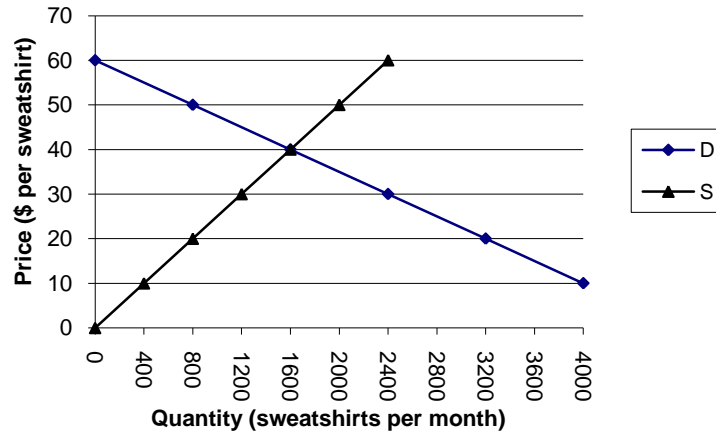
11. Ipods and digital music downloads are complements. As the price of Ipods decreases, the

- demand for digital music downloads will increase.
- supply of digital music downloads will decrease.
- quantity supplied of digital music downloads will decrease.
- quantity demanded of digital music downloads will decrease.

12. Chicken and beef are substitutes. *Ceteris paribus*, if the price of chicken rises by 50 percent, we can expect
- the **demand** for chicken to rise
 - the **demand** for beef to rise
 - the **demand** for beef to fall
 - the **demand** for chicken to fall
 - both b and d are correct



13. Suppose that the demand and supply of MSU sweatshirts is shown in the graph above. At equilibrium, the amount of producer surplus per month is
- \$64,000
 - \$40
 - \$1,600
 - \$16,000
 - \$32,000
14. Suppose the equilibrium price of Bill Cosby concert tickets is \$250.00 per ticket. If the campus field house prices its Bill Cosby concert tickets at \$75.00 per ticket, we would expect to find
- excess supply and the price of Bill Cosby tickets eventually falling
 - excess demand and the price of Bill Cosby tickets eventually falling
 - excess supply and the price of Bill Cosby tickets eventually rising
 - excess demand and the price of Bill Cosby tickets eventually rising
15. For most people, used cars are an inferior good. *Ceteris paribus*, if people's incomes increase, you predict that the
- demand for used cars will decrease and the price of used cars will fall.
 - demand for used cars will increase and the price of used cars will fall.
 - demand for used cars will decrease and the price of used cars will rise.
 - demand for used cars will increase and the price of used cars will rise.
16. If good growing conditions increase the supply of watermelon and hot weather increases the demand for watermelon, we know for sure that the quantity of watermelon bought
- does not change, but the price rises.
 - does not change, but the price falls.
 - increases, and the price rises.
 - increases, and the price might rise, fall or not change.



17. The graph above shows the demand and supply for MSU sweatshirts per month. Suppose that because of a government anti-sweatshirt regulation, the maximum quantity of this good that could be produced was 800. What is the new price that will prevail for the good?

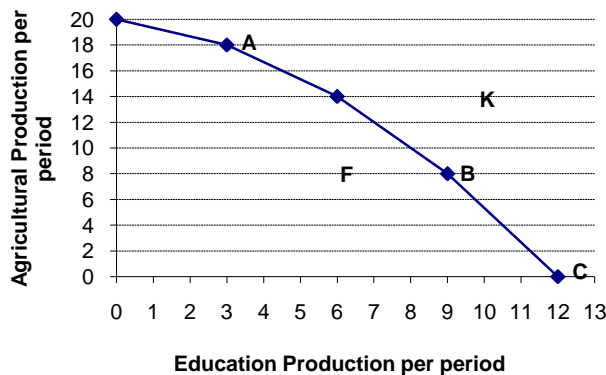
- a. \$10
- b. \$40
- c. \$50
- d. \$20
- e. \$60

18. Suppose there is excess supply in the market for Hula-Hoops. Ceteris paribus, we would expect to find

- a. the price of Hula-Hoops rising
- b. the price of Hula-Hoops falling
- c. the demand for Hula-Hoops falling
- d. the quantity of Hula-Hoops demanded falling

19. Consumer surplus is defined as

- a. the benefit to a firm when a consumer buys a good or service
- b. the value you get that is in excess of what you pay to get a good or service
- c. the money that firms get, which is in excess of the marginal costs of producing the good
- d. the difference between the price the consumer pays and the price a producer gets for producing a good.



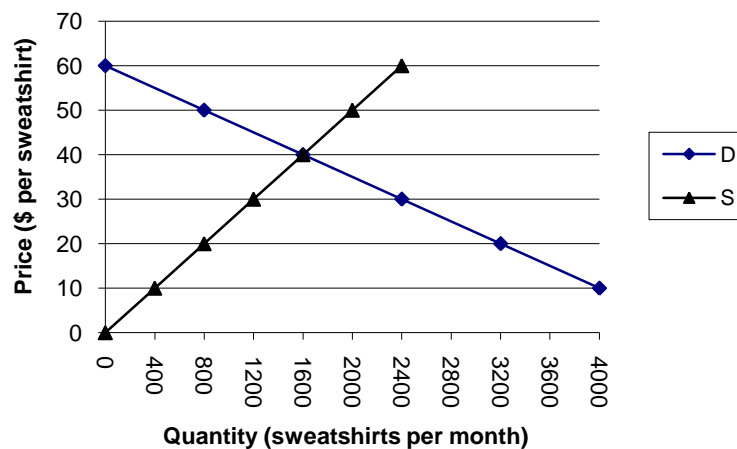
20. The production possibilities curve in the graph above exhibits:

- a. increasing opportunity costs of agricultural production but not education
- b. increasing opportunity costs of education but not agricultural production
- c. constant opportunity costs of both goods
- d. increasing opportunity costs of both goods
- e. none of the above

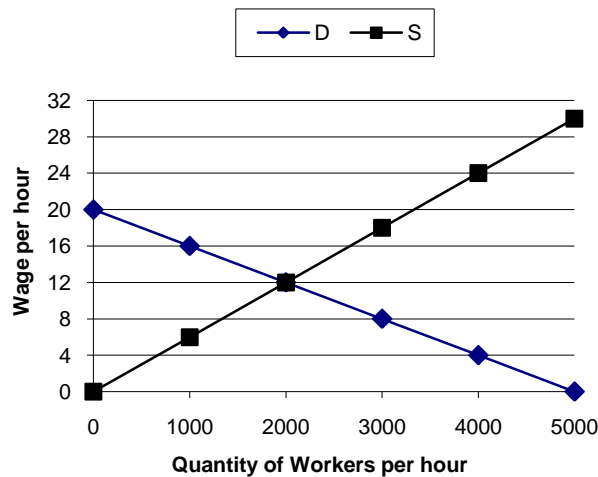
21. Ceteris paribus, if the demand for bottled water decreases, the
- equilibrium price and quantity will both increase
 - equilibrium price and quantity will both decrease
 - equilibrium price will increase and equilibrium quantity will decrease
 - equilibrium price will decrease and equilibrium quantity will increase

Country	Production per year
Malawi	15 units X or 30 units Y
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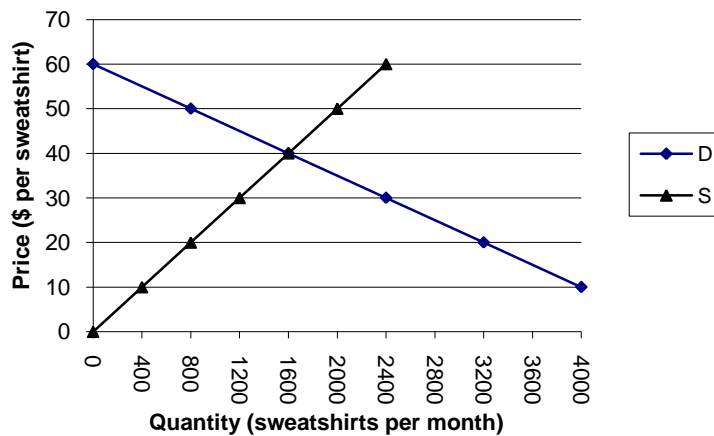
22. The table above shows the production possibilities for two countries, Malawi and Ringon, which produce goods X and Y. Based on this information and assuming constant opportunity costs for simplicity, _____ has a comparative advantage in producing X and _____ has a comparative advantage in producing Y.
- Ringon; Malawi
 - Malawi; Ringon
 - Malawi; Malawi
 - Ringon; Ringon



23. The graph above shows the demand and supply for MSU sweatshirts per month. At equilibrium, sellers earn _____ in total revenues from selling this product
- \$64,000
 - \$40
 - \$1,600
 - \$16,000
 - \$32,000



24. The graph above shows the demand and supply of workers in a given market. If a minimum wage of \$16 per hour is imposed on this market, consumer surplus from hiring labor will be
- \$16 per hour
 - \$13,000 per hour
 - \$16,000 per hour
 - \$2,000 per hour
 - \$3,000 per hour



25. The graph above shows the demand and supply for MSU sweatshirts per month. Suppose that because of a government anti-sweatshirt regulation, the maximum quantity of this good that could be produced was 800. What is the deadweight loss that results from this policy?
- \$10 per month
 - \$12,000 per month
 - \$10,000 per month
 - \$4,000 per month
 - \$80,000 per month