

NOTE: I have ~~crossed out~~ the questions that are not relevant for our class this semester

Print your name clearly on the answer sheet. Write and fill in the bubbles for your student number on the answer sheet. Include the dash of your student number in the first space and fill in the zero bubble to correspond with the dash. **Write your exam's form number on the answer sheet next to your name** (the form number is found at the bottom of this page).

Answer all of the following 50 questions (each worth 3 points). There are four extra credit questions on the last page for those who attended the public health care lecture.

Mark your answers on the answer sheet. Keep this copy of the test - turn in only the answer sheet.

You can assume that any calculations I have done for you are correct - you do not need to spend time checking the calculations. **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 and have a GREAT HOLIDAY BREAK!

11. ~~The U.S. has placed a tariff on fabrics that are imported into the country. All else equal, who is most likely to benefit from this decision?~~

- ~~a. U.S. buyers of fabric~~
- ~~b. U.S. producers of fabric~~
- ~~c. Foreign buyers of fabric~~
- ~~d. Foreign producers of fabric~~

12. A tire manufacturing plant is petitioning the city of Bozeman to begin production in the area. The plant will bring jobs to the area, but it will also generate pollution and unsightly buildings next to the nearby ski areas and hiking trails. All else equal, if the city allows unrestricted tire manufacturing,

- a. the tire manufacturer is likely to produce the optimal amount of tires from a social efficiency perspective
- b. the tire manufacturer is likely to price its tires too high from a social efficiency perspective
- c. the tire manufacturer is likely to produce too many tires from a social efficiency perspective
- d. the tire manufacturer is likely to price its tires too low from a social efficiency perspective
- e. answers C and D are both correct

13. The equilibrium price of rental units in Bozeman is \$400 per month. The Bozeman Renters Association has petitioned the city council to impose a price ceiling of \$325 per month within city limits. All else equal, as a result of this policy we expect that

- a. There will be a shortage of rental units in the Bozeman area
- b. All renters will be better off by \$75 per month
- c. Landlords will be upset by the policy because they will not be able to find enough renters
- d. The market will reach equilibrium

14. Everyday, cellular phone companies are expanding their services to more and more locations. All else equal, as cellular service becomes more widely available we would expect the price of cell phone calling plans (a compliment good for consumers) to
- decrease due to a decrease in supply
 - increase due to an increase in demand
 - decrease due to a decrease in demand
 - increase due to an increase in supply
15. Major league baseball players make significantly higher marginal salaries than high school teachers in the United States. This means Americans place higher total value on the services of major league baseball players.
- True
 - False
- ~~16. All else equal, removing a tariff on a good imported to the U.S. will typically~~
- ~~raise the price received by U.S. sellers of the good~~
 - ~~raise the price paid by U.S. consumers of the good~~
 - ~~lower the price received by U.S. sellers of the good~~
 - ~~decrease the overall quantity of the good sold in the U.S.~~
17. All else equal, it is easier to raise taxes on a good without generating large reductions in sales of the good when
- the demand for the good is constant
 - the demand for the good is high
 - the demand for the good is inelastic
 - the demand for the good is elastic
 - the demand for the good is low
18. All else equal, if the price of a good rises by 5% and as a result the quantity demanded of the good falls by 10%, the demand for the good would be considered
- inelastic
 - positively related to price
 - high
 - elastic
- ~~19. Other things equal, policies that restrict imports of goods and services tend to~~
- ~~lower domestic prices of goods and services~~
 - ~~generate economically efficient outcomes for societies~~
 - ~~increase the overall economic well being of societies~~
 - ~~raise domestic prices of goods and services~~
20. When hiring workers, it is profit maximizing for firms to hire additional workers as long as
- the marginal benefit of each worker hired is positive
 - the marginal cost of each worker hired is above zero
 - the marginal benefit of each worker hired is less than or equal to the marginal cost of each worker hired
 - the marginal benefit of each worker hired is greater than or equal to the marginal cost of each worker hired
 - each worker hired is productive

21. At the current level of production, the marginal social cost of producing Recyclops Man action figures is \$12, the marginal private cost of producing Recyclops Man action figures is \$8, and the marginal social benefit of Recyclops Man action figures is \$12, then the production of Recyclops Man action figures is

- a. below the socially optimal level
- b. equal to the socially optimal level
- c. above the socially optimal level
- d. tangent to the socially optimal level
- e. Not enough information

22. The highest earning quintile (i.e., those at or above the 80th percentile) of families in the U.S. earns roughly

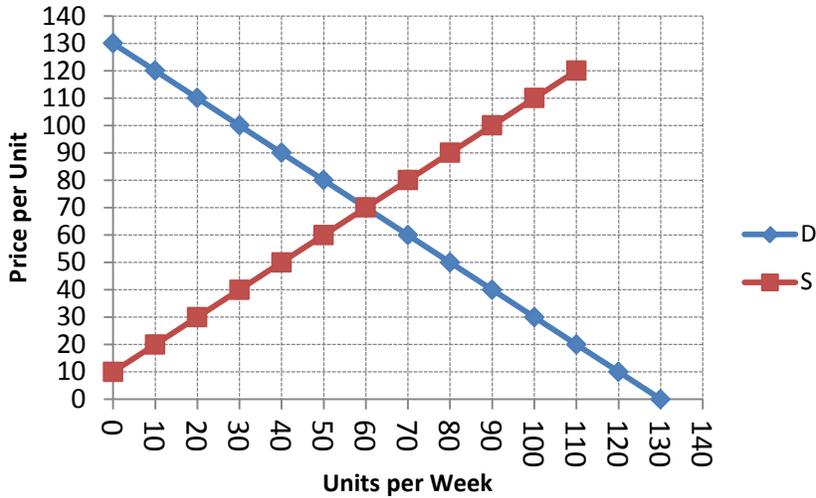
- a. ~~75 percent of the total income in the U.S.~~
- b. ~~50 percent of the total income in the U.S.~~
- c. ~~25 percent of the total income in the U.S.~~
- d. ~~85 percent of the total income in the U.S.~~
- e. ~~20 percent of the total income in the U.S.~~

23. The largest component of U.S. GDP in 2008 was

- a. ~~government purchases~~
- b. ~~investment~~
- c. ~~exports~~
- d. ~~consumption~~
- e. ~~not enough information~~

24. Suppose that the price of rice milk (a consumption substitute for soy milk) increases. At the same time, the cost of resources used in producing soy milk falls. The likely results in the soy milk market would be

- a. quantity will fall, but the effect on equilibrium price is unknown
- b. quantity will rise, but the effect on equilibrium price is unknown
- c. quantity will rise and price will fall
- d. quantity will fall and price will fall
- e. the effect on both equilibrium price and equilibrium quantity is unknown



25. The figure above illustrates the demand and supply of cheese in a city per week. Suppose a price floor of \$100 per unit is imposed on this market. If the government supports the price floor by buying up the surplus cheese, it will need to spend _____ per week. If they do this, consumer surplus is _____ per week and producer surplus is _____ per week.
- \$6,000; $(.5 * \$30 * 30) = \450 ; $(.5 * \$90 * 90) = \$4,050$
 - \$6,000; $(.5 * \$30 * 30) = \450 ; $[(.5 * \$30 * 30) + (\$60 * 30)] = \$2,250$
 - \$3,000; $(.5 * \$30 * 30) = \450 ; $(.5 * \$90 * 90) = \$4,050$
 - \$9,000; $(.5 * \$30 * 30) = \450 ; $[(.5 * \$30 * 30) + (\$60 * 30)] = \$2,250$
 - \$3,000; $(.5 * \$30 * 30) = \450 ; $[(.5 * \$30 * 30) + (\$60 * 30)] = \$2,250$

Quantity Of Labor (<i>Sneechees</i> per hour)	Quantity Of Output (stars per hour)
1	9
2	19
3	28
4	36
5	43
6	49
7	54
8	58
9	61
10	63

26. Mc Monkey Mc Bean, Inc. hires *Sneechees* to produce belly stars according to the production function in the table above. The company prices its belly stars at \$5 each and *Sneechee* wages are \$18 per hour. Based on this information, what is the optimum number of *Sneechees* to hire per hour?
- 5 per hour
 - 6 per hour
 - 7 per hour
 - 8 per hour
 - 2 per hour

Quantity Demanded per week	Price	Quantity Supplied per week
140	2	0
120	4	15
100	6	30
80	8	45
60	10	60
40	12	75
20	14	90
0	16	105

27. The table above shows the demand and supply for Black Bean Blue Chip Burrito Dinners at the Los Finkelstein Brothers Burrito Shop in Hell, Michigan. Ceteris paribus, the equilibrium price of a Black Bean Blue Chip Burrito Dinner is ____ and total revenue earned from sales of the dinners is _____per week.

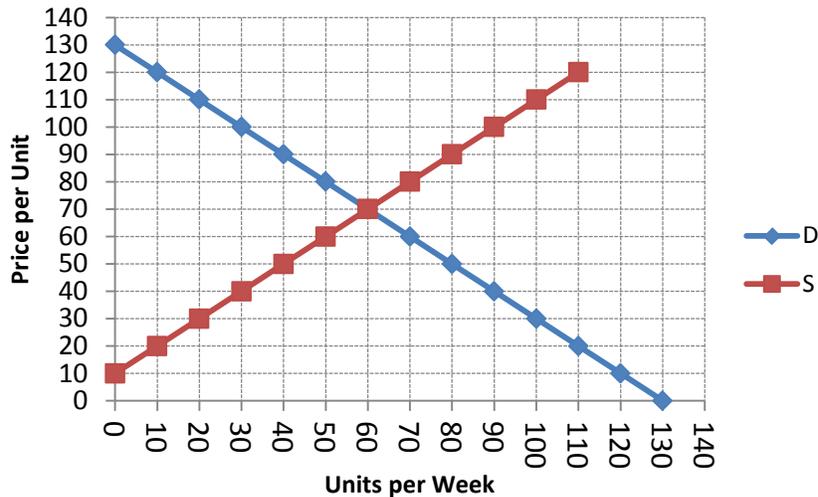
- a. \$10; \$150
- b. \$10; \$600
- c. \$8; \$360
- d. \$8; \$640
- e. \$6; \$600

28. According to the aggregate demand/aggregate supply model, increases in aggregate demand would be associated with

- ~~a. tough periods of the business cycle~~
- ~~b. trough periods of the business cycle~~
- ~~c. expansionary periods of the business cycle~~
- ~~d. recessionary periods of the business cycle~~

29. If the price of a good rises and the total amount that consumers spend on the good falls, then demand for the good must be

- a. relatively elastic
- b. relatively inelastic
- c. unit elastic
- d. unit inelastic



30. The figure above illustrates the demand and supply of cheese in a city per week. If the price of wine (a consumption complement for cheese) increases, a possible new equilibrium would be

- P = \$80, Q = 70 units per week
- P = \$60, Q = 70 units per week
- P = \$80, Q = 50 units per week
- P = \$60, Q = 50 units per week
- not enough information

Quantity Demanded (000s bushels per week)	Price (Pesos per bushel)	Quantity Supplied (000s bushels per week)
45	60	0
40.5	150	0
39	180	3
33	300	15
27	420	27
21	540	39
15	660	51
9	780	63
3	900	75
0	960	87

31. The table above shows the domestic demand and supply for wheat in Chile. In equilibrium, the price and quantity of wheat traded in Chile is

- P = \$300, Q = 33,000 bushels per week
- P = \$420, Q = 27,000 bushels per week
- P = \$540, Q = 21,000 bushels per week
- P = \$660, Q = 15,000 bushels per week

Quantity Demanded (000s bushels per week)	Price (Pesos per bushel)	Quantity Supplied (000s bushels per week)
54	100	0
48	200	12
42	300	24
36	400	36
30	500	48
24	600	60
12	700	72
6	900	84
0	1000	96

32. The table above shows the domestic demand and supply for wheat in Chile. In equilibrium, the consumer surplus from wheat consumption in Chile is

- $.5 * 36,000 * \$300 = \$5,400,000$ per week
- $.5 * 36,000 * \$400 = \$7,200,000$ per week
- $.5 * 36,000 * \$600 = \$10,800,000$ per week
- $.5 * 36,000 * \$900 = \$16,200,000$ per week
- $36,000 * \$400 = \$14,400,000$ per week

Quantity Of Labor (<i>Sneeches</i> per hour)	Quantity Of Output (stars per hour)
1	9
2	19
3	28
4	36
5	43
6	49
7	54
8	58
9	61
10	63

33. Mc Monkey Mc Bean, Inc. hires *Sneeches* to produce belly stars according to the production function in the table above. The company prices its belly stars at \$5 each and *Sneech* wages are \$20 per hour. Based on this information, what is the *marginal product* of labor of the 5th *Sneech* per hour?

- 43 stars per hour
- $7 * \$5 = \35 per hour
- 6 stars per hour
- 7 stars per hour
- $43 * \$5 = \215 per hour

Quantity Demanded (000s bushels per week)	Price (Pesos per bushel)	Quantity Supplied (000s bushels per week)
54	100	0
48	200	12
42	300	24
36	400	36
30	500	48
24	600	60
12	700	72
6	900	84
0	1000	96

34. The table above shows the domestic demand and supply for wheat in Chile. Suppose that Chile opens its markets to international trade in wheat, and wheat imports are 18,000 bushels per week at each price. At the new equilibrium with international trade, what is the quantity of wheat supplied by domestic producers?

- a. $Q = 18,000$ bushels per week
- b. $Q = 24,000$ bushels per week
- c. $Q = 36,000$ bushels per week
- d. $Q = 42,000$ bushels per week
- e. $Q = 54,000$ bushels per week

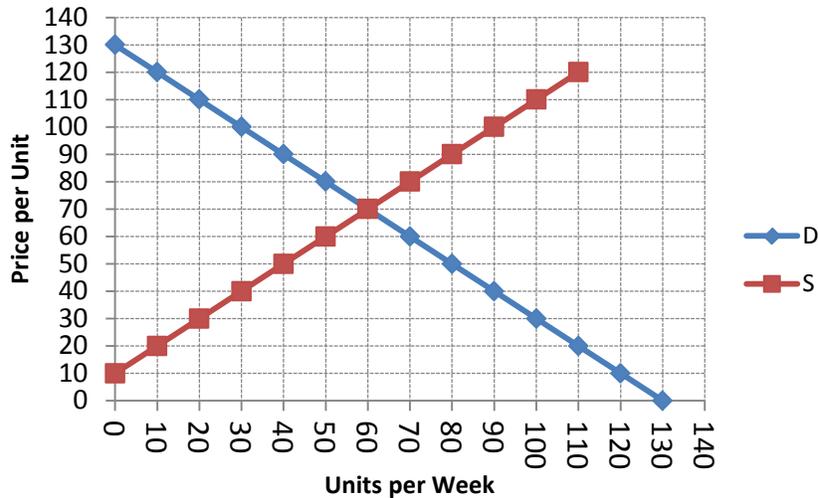
Quantity Of Labor (<i>Sneeche</i> s per hour)	Quantity Of Output (stars per hour)
1	9
2	19
3	28
4	36
5	43
6	49
7	54
8	58
9	61
10	63

35. Mc Monkey Mc Bean, Inc. hires *Sneeche*s to produce belly stars according to the production function in the table above. The company prices its belly stars at \$5 each and *Sneeche* wages are \$20 per hour. Based on this information, if the company hires 5 *Sneeche*s per hour, what will be its profits?

- a. $(43 * \$20) - (5 * \$20) = \$810$ per hour
- b. $(43 * \$5) - (5 * \$5) = \$190$ per hour
- c. $(5 * \$5) - (43 * \$20) = -\$835$ per hour
- d. $(5 * \$20) - (43 * \$5) = -\$115$ per hour
- e. $(43 * \$5) - (5 * \$20) = \$115$ per hour

36. Which of the following items are included in the calculation of GDP

- a. The value of your time spent painting your house last summer
- b. The amount of money you spent gambling in Las Vegas last spring break
- c. The value of vegetables grown in your family garden
- d. A restaurant's purchases of vegetables to include in the nightly dinner special
- e. All of the items are included in the calculation of GDP



37. The figure above illustrates the demand and supply of cheese in a city per week. If extreme cold weather wipes out several dairy herds in the region, a possible new equilibrium would be

- a. $P = \$80, Q = 70$ units per week
- b. $P = \$60, Q = 70$ units per week
- c. $P = \$80, Q = 50$ units per week
- d. $P = \$60, Q = 50$ units per week
- e. not enough information

38. If it takes country B three units of labor to produce a computer and two units of labor to produce a TV and it takes country A four units of labor to produce a computer and five units of labor to produce a TV, then country A has

- a. a comparative advantage in both goods
- b. a comparative advantage in computers
- c. a comparative advantage in neither good
- d. a comparative advantage in TVs
- e. the law of decreasing opportunity cost

Quantity Demanded per week	Price	Quantity Supplied per week
140	2	0
120	4	15
100	6	30
80	8	45
60	10	60
40	12	75
20	14	90
0	16	105

39. The table above shows the demand and supply for Black Bean Blue Chip Burrito Dinners at the Los Finkelstein Brothers Burrito Shop in Hell, Michigan. At which price will there be a surplus of 70 burrito dinners per week? Because of this surplus, we would expect the price of burrito dinners to ____ as the market moves to equilibrium.

- a. P = \$6; fall
- b. P = \$14; fall
- c. P = \$6; rise
- d. P = \$14; rise
- e. Not enough information

40. To stimulate the economy, the government could use

- a. ~~The fiscal policy of lowering taxes or the monetary policy of raising interest rates~~
- b. ~~The fiscal policy of lowering taxes or the monetary policy of lowering interest rates~~
- c. ~~The fiscal policy of raising taxes or the monetary policy of raising interest rates~~
- d. ~~The fiscal policy of raising taxes or the monetary policy of lowering interest rates~~

41. The U.S. poverty line is based on

- a. ~~The income of a family relative to the income of similar families in the U.S.~~
- b. ~~The income of a family relative to the income of similar families in other developed nations~~
- c. ~~The income of a family relative to the cost of buying food~~
- d. ~~Where the family's income falls in the U.S. income distribution~~

42. If an individual suggests that any action taken to mitigate climate change should only be taken after objectively comparing the costs and benefits of the action,

- a. that individual is not considering the full negative impacts of climate change
- b. that individual must not care about the environment
- c. that individual must live in a market socialist economy
- d. that individual is engaging in the economic way of thinking
- e. that individual must live in a command socialist economy

Quantity Of Labor (<i>Sneeches</i> per hour)	Quantity Of Output (stars per hour)
1	9
2	19
3	28
4	36
5	43
6	49
7	54
8	58
9	61
10	63

43. Mc Monkey Mc Bean, Inc. hires *Sneeches* to produce belly stars according to the production function in the table above. The company prices its belly stars at \$5 each and *Sneech* wages are \$20 per hour. Based on this information, what is *total revenue* when the company hires 6 *Sneeches* per hour?

- a. 49 stars per hour
- b. $49 * \$6 = \294 per hour
- c. $49 * \$20 = \980 per hour
- d. $49 * \$5 = \245 per hour
- e. $49 * 6 = 294$ stars per hour

Quantity Demanded (000s bushels per week)	Price (Pesos per bushel)	Quantity Supplied (000s bushels per week)
54	100	0
48	200	12
42	300	24
36	400	36
30	500	48
24	600	60
12	700	72
6	900	84
0	1000	96

44. The table above shows the domestic demand and supply for wheat in Chile. *Ceteris paribus*, suppose that Chile opens its markets to international trade in wheat, and wheat imports are 18,000 bushels per week at each price. Given this change, what will be the new equilibrium price and quantity of wheat traded in Chile?

- a. ~~P = \$500, Q = 30,000 bushels per week~~
- b. ~~P = \$500, Q = 48,000 bushels per week~~
- c. ~~P = \$300, Q = 24,000 bushels per week~~
- d. ~~P = \$300, Q = 42,000 bushels per week~~
- e. Not enough information

45. Because it has relatively few substitutes, the demand for gasoline tends to be
- relatively elastic
 - relatively inelastic
 - unit elastic
 - unit inelastic
 - perfectly elastic
46. At the current level of production, the marginal social cost of producing Recyclops Man action figures is \$12, the marginal private cost of producing Recyclops Man action figures is \$8, and the marginal social benefit of Recyclops Man action figures is \$12. Based on this information, the marginal external cost of Recyclops Man action figures is
- \$0
 - \$4
 - \$8
 - \$12
 - Not enough information
47. According to the aggregate demand/aggregate supply model, increases in aggregate demand will be associated with
- ~~increases in GDP and decreases in the price level~~
 - ~~increases in GDP and increases in the price level~~
 - ~~decreases in GDP and decreases in the price level~~
 - ~~decreases in GDP and increases in the price level~~
48. The income distribution in the U.S. tends to be
- ~~more equal than that of other developed nations~~
 - ~~about the same as that of other developed nations~~
 - ~~less equal than that of other developed nations~~
 - ~~less skewed than that of other developed nations~~

Quantity Demanded per week	Price	Quantity Supplied per week
140	2	0
120	4	15
100	6	30
80	8	45
60	10	60
40	12	75
20	14	90
0	16	105

49. The table above shows the demand and supply for Black Bean Blue Chip Burrito Dinners at the Los Finkelstein Brothers Burrito Shop in Hell, Michigan. Suppose that there is a large immigration of burrito lovers into Hell. As a result of this, we would expect the ____ Black Bean Blue Chip Burrito Dinners to ____ and the price of Black Bean Blue Chip Burrito Dinners to _____, ceteris paribus.

- a. demand for; rise; fall
- b. demand for; fall; rise
- c. supply of; rise; rise
- d. demand for; rise; rise
- e. Answers c and d are both correct

50. The two social goals of providing an economic safety net for the poor and at the same time providing incentives for the poor to engage in market work are

- a. ~~irrelevant to most people, since they don't affect them directly~~
- b. ~~difficult to obtain at the same time because all societies need to have at least some poor people~~
- c. ~~purely a political issue rather than an economic issue~~
- d. ~~easy to obtain at the same time, if we'd just set our minds to it~~
- e. ~~difficult to obtain at the same time because an economic safety net reduces work incentives for those at the margin~~

Extra Credit Questions

51. At the presentation on *Key Issues in Health Care*, which of the following did Dr. Stoddard discuss last?
- Components of the current health care bills
 - Health outcomes in the US
 - Health outcomes in other countries
 - Health care technology
 - Relative drug prices in the US and other countries
52. At the presentation on *Key Issues in Health Care*, Dr. Stoddard illustrated that approximately _____ of the U.S. Federal Budget is currently spent on national defense.
- 60 percent
 - 50 percent
 - 20 percent
 - 10 percent
 - 5 percent
53. At the presentation on *Key Issues in Health Care*, Dr. Stoddard illustrated that
- The US spends about the same on health care as other developed nations and US citizens are healthier than citizens of other developed nations
 - The US spends more on health care than other developed nations and US citizens are healthier than citizens of other developed nations
 - The US spends about the same on health care as other developed nations, but US citizens are less healthy than citizens of other developed nations
 - The US spends more on health care as other developed nations, but US citizens are less healthy than citizens of other developed nations
 - The US spends about the same on health care as other developed nations and US citizens are about as healthy as citizens of other developed nations
54. At the presentation on *Key Issues in Health Care*, Dr. Stoddard illustrated that approximately _____ of the U.S. Federal Budget is currently spent on health care.
- 40 percent
 - 30 percent
 - 25 percent
 - 10 percent
 - 5 percent