INSTRUCTIONS (***Read Carefully***):

ON YOUR QUESTION BOOKLET:
Fill in your name, Student ID, Discussion Section Number (e.g. D5) and your signature.

ON YOUR SCANTRON:
Enter the Course Number (EC101 DD or EE) and date on the lines at the top-left. In the boxes below, enter your Student ID, your DISCUSSION SECTION number (D1 - D9, E0 - E9), your NAME and your EXAM VERSION into the Scantron computer sheet. Be sure that you “bubble” all entries (fill in the small circles). I will subtract up to 5 points as punishment for errors in these data!

DURING THE EXAM:
Students who wish to leave the room for any reason must leave the Question Booklet and Scantron sheet with the instructor or teaching fellow. Students in EC101DD MUST turn in both the Question Booklet and the Scantron sheet at the end of the exam and exit from the front of the room. Students in EC101EE should keep their Question Booklet and turn in only their Scantrons. All students must show their BU Student IDs as they leave the exam room.

MULTIPLE-CHOICE QUESTIONS:
Choose the BEST answer for each of the multiple-choice questions. (Only ONE answer is allowed, even when more than one of the answers is technically correct.) On the Question Booklet, CIRCLE the letter that you chose, so that you have a record of your answers. Then BUBBLE it on the Scantron for grading.

Never cross out an answer on your Scantron. Use a pencil to bubble your answers, and keep a good eraser with you. If you bubble the wrong answer on the Scantron, erase your mark COMPLETELY, and then bubble the correct answer.

***YOU MAY NOT USE A CALCULATOR, CELL PHONE OR LAPTOP.

***However, INTERNATIONAL STUDENTS may use electronic translators or dictionaries.

You have 60 minutes to complete the exam. Good luck!

DO NOT OPEN THIS BOOKLET OR TURN IT OVER
[until told to do so]
1. Suppose roses are currently selling for $40 per dozen, while the equilibrium price of roses is $30 per dozen. We would expect a
   a. shortage to exist and the market price of roses to increase.
   b. shortage to exist and the market price of roses to decrease.
   c. surplus to exist and the market price of roses to increase.
   d. surplus to exist and the market price of roses to decrease.

2. The demand curve for iPhones may shift because of changes in
   a. the price of iPhones.
   b. the price of Android phones.
   c. the cost of producing iPhones.
   d. NONE of the above

3. Capital goods are
   a. output produced by labor alone.
   b. tools that increase productivity.
   c. products purchased in competitive markets.
   d. another name for intermediate goods.

4. In the United States, the price elasticity of supply of cotton is .3 in the short run and 1.0 in the long run. This difference might be explained by the fact that
   a. it takes several years to prepare land for growing cotton.
   b. harvesting cotton is expensive.
   c. people don’t replace their clothing quickly.
   d. many people prefer synthetic clothing.

5. Which of the following is not a reason why voluntary exchange can lower a buyer’s welfare?
   a. high prices
   b. deceptive marketing
   c. poor information
   d. temptation

6. Economists say you are saving when you
   a. consume less than you produce.
   b. buy a discounted product.
   c. transfer funds to a government-approved savings account.
   d. reduce your tax payments.

7. See Figure SDA. Equilibrium price and quantity are, respectively,
   a. $30 and 40 units.
   b. $70 and 40 units.
   c. $50 and 80 units.
   d. $50 and 120 units.

8. See Figure SDA. At a price of $70, there would be a
   a. surplus of 120 units.
   b. shortage of 80 units.
   c. surplus of 40 units.
   d. surplus of 80 units.

9. See Figure SDA. When the price increases from $50 to $60, the price elasticity of supply is approximately
   a. 2.75
   b. 1.25
   c. 0.5
   d. 5.0

10. In which of the following situations will total revenue increase?
    a. Price elasticity of demand is –0.5, and the price of the good increases.
    b. Price elasticity of demand is –3.0, and the price of the good decreases.
    c. Price elasticity of demand is –1.2, and the price of the good decreases.
    d. ALL of the above
11. Which of the following is an advantage of selling and buying as compared with barter?
   a. Selling and buying requires more markets than barter does.
   b. Selling and buying is a form of voluntary exchange.
   c. Selling and buying is more difficult to tax.
   d. Selling and buying yields prices that measure value.

12. A fall in housing prices
   a. increases housing construction.
   b. makes society poorer.
   c. makes home owners wealthier.
   d. is good for young people starting families.

**Scenario CAD.** Suppose Elvira produces both beans and corn in her garden. She can grow 5 additional kilograms of beans if she gives up 15 kilograms of corn.

13. **See Scenario CAD.** Elvira’s opportunity cost of 1 kilogram of beans is
   a. 0.33 kilograms of corn.
   b. 3 kilograms of corn.
   c. 70 kilograms of corn.
   d. 15 kilograms of corn.

14. **See Scenario CAD.** Amaya (Elvira’s neighbor) also grows beans and corn. Amaya can grow 5 additional kilograms of beans if she gives up 10 kilograms of corn. We can conclude that compared to Elvira,
   a. Amaya has an absolute advantage in growing beans.
   b. Amaya has an absolute advantage in growing corn.
   c. Amaya is a more productive farmer.
   d. Amaya has a comparative advantage in growing beans.

15. The demand for gasoline is more elastic in the long run than in the short run, because when prices rise
   a. poor people suffer.
   b. some people will eventually replace old cars with more fuel-efficient ones.
   c. most drivers will continue to prefer big cars.
   d. people who drive to work stop wasting gasoline.

16. **See Figure PEL.** How much orange juice will Jordi want to buy if the price is $14?
   a. 12
   b. 5.5
   c. 11
   d. 0

17. **See Figure PEL.** When price changes from $14 to $15, Jordi’s demand
   a. elasticity is undefined.
   b. is perfectly inelastic.
   c. is extremely elastic.
   d. has unit elasticity.

18. **See Figure PEL.** When price changes from $7.99 to $8.01, Jordi’s demand
   a. is perfectly inelastic.
   b. has unit elasticity.
   c. is extremely elastic.
   d. elasticity is undefined.

19. **See Figure PEL.** Jordi’s demand curve might have this appearance if
   a. Jordi doesn’t care about how much juice he drinks.
   b. orange juice has an elastic supply curve.
   c. Jordi buys the same amount of orange juice at any price.
   d. Jordi likes orange juice and grapefruit juice equally.
20. The supply of apartments in Washington DC is very inelastic in the short run, because
a. it takes a long time to construct new apartments.
b. many residents are employees of the federal government.
c. most residents earn more than the national average.
d. most landlords will not rent to families with children.

21. A student is willing to pay $60 for a ticket to a Funkadunk concert, but he is able to buy a ticket for only $42. Then the value of the net benefit the student receives from the ticket would be
a. $18
b. the cost of printing the ticket.
c. $42
d. $24

22. Which of the following is most likely to be used as an intermediate good?
a. a train
b. a bag of cement
c. a tomato salad
d. a factory building

23. A good example of capital formation is
a. buying clothing with cash.
b. riding a bus to get to work.
c. studying for an exam in medical school.
d. buying gasoline for your car.

24. Which of the following is an important form of social capital?
a. street lights
b. trusting other people
c. skilled engineers
d. university buildings

25. Supply curves are upward sloping, because
a. higher prices allow firms to use more costly inputs without losing money.
b. prices rise when output levels are high.
c. high prices increase the confidence of the wealthy consumers who buy the most.
d. most demand curves are inelastic.

26. Which of the following is not part of the wealth of society?
a. stocks and bonds
b. educated people
c. apartment buildings
d. computers

Scenario WNE. Suppose that excellent weather in France increases the quantity of grapes available for wine-making. Also, consumers know that good weather improves the taste of the wine.

You may draw in the space below to help you answer the following questions. The drawing will NOT be graded.

27. The supply curve for wine will
a. shift left.
b. shift right.
c. be unaffected.
d. become vertical.

28. The demand curve for wine will
a. become vertical.
b. be unaffected.
c. shift right.
d. shift left.

29. The equilibrium quantity of wine purchased
a. will not change.
b. could increase, stay the same, or decrease.
c. will increase.
d. will decrease.

30. The equilibrium price of wine purchased
a. will not change.
b. could increase, stay the same, or decrease.
c. will decrease.
d. will increase.
31. If the cost of food for dairy cows increases, then the equilibrium price of milk is likely to _____. and the equilibrium quantity of milk traded is likely to _____.
\[
\begin{array}{c}
P \\
Q
\end{array}
\]
\[
a. \text{rise; fall} \\
b. \text{fall; rise} \\
c. \text{fall; fall} \\
d. \text{rise; rise}
\]

32. Two different prices cannot prevail in a perfectly competitive market, because
a. at least one buyer and one seller would prefer to trade at a price in between the original prices.
b. having a homogeneous good implies that all buyers and sellers will agree on the best price.
c. the value of money determines one price.
d. it is illegal to charge two different prices for the same commodity.

33. Which of the following does not affect the price elasticity of electricity supply?
\[
a. \text{the ability to transmit electricity over long distances} \\
b. \text{the use of air conditioners and electric heaters} \\
c. \text{the cost of transporting fuel for electric power plants} \\
d. \text{excess capacity of existing electric power plants}
\]

34. The supply curve for broccoli could shift to the left because of
a. an increase in the price of broccoli.
b. an advertisement showing Hillary Clinton eating broccoli.
c. a report that broccoli prevents liver disease.
d. None of the above

35. A student has decided to buy Chinese spring rolls for lunch. She should buy at least 4 spring rolls if
a. the benefits of 4 spring rolls are greater than their cost.
b. the benefit of the fourth spring roll is greater than its price.
c. she would not be hungry after eating four spring rolls.
d. she would be hungry after eating three spring rolls.