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!
1. A key determinant of the price elasticity of supply is
   a. the slope of the demand curve.
   b. how responsive buyers are to changes in sellers' prices.
   c. the ability of sellers to change the price of the good they produce.
   d. the ability of sellers to change the amount of the good they produce.

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

3. 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.

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

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

6. At night, Ashwin would rather read mystery novels than watch television or gossip with his roommates. But tonight, he has decided that he must study economics. The opportunity cost of studying is
   a. reading mystery novels.
   b. gossipping with roommates.
   c. watching television.
   d. ALL of the above

7. Suppose roses are currently selling for $40 per dozen, while the equilibrium price of roses is $30 per dozen. We would expect a
   a. surplus to exist and the market price of roses to decrease.
   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. shortage to exist and the market price of roses to increase.

8. If an economist has sufficient data on supply and demand for widgets in a competitive market, she can predict
   a. how the price of widgets will change in the future.
   b. the quantity of widgets that will be purchased.
   c. the methods that will be used to produce the widgets.
   d. how consumers will use the widgets.

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

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

11. 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. most landlords will not rent to families with children.
    c. many residents are employees of the federal government.
    d. most residents earn more than the national average.
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.]

12. See Scenario WNE. The supply curve for wine will
   a. become vertical.
   b. be unaffected.
   c. shift left.
   d. shift right.

13. See Scenario WNE. The demand curve for wine will
   a. shift left.
   b. become vertical.
   c. be unaffected.
   d. shift right.

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

15. See Scenario WNE. The equilibrium price of wine
   a. could increase, stay the same, or decrease.
   b. will increase.
   c. will not change.
   d. will decrease.

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

17. In which of the following situations will total revenue increase?
   a. Price elasticity of demand is –1.2, and the price of the good decreases.
   b. Price elasticity of demand is –0.5, and the price of the good increases.
   c. Price elasticity of demand is –3.0, and the price of the good decreases.
   d. ALL of the above

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

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.

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

20. 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 corn.
   b. Amaya has an absolute advantage in growing beans.
   c. Amaya is a more productive farmer.
   d. Amaya has a comparative advantage in growing beans.

21. 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. most drivers will continue to prefer big cars.
   c. people who drive to work stop wasting gasoline.
   d. some people will eventually replace old cars with more fuel-efficient ones.
22. Two different prices cannot prevail in a perfectly competitive market, because
   a. having a homogeneous good implies that all buyers and sellers will agree on the best price.
   b. at least one buyer and one seller would prefer to trade at a price in between the original prices.
   c. it is illegal to charge two different prices for the same commodity.
   d. the value of money determines one price.

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

**Figure PEL.** Jordi’s demand curve for orange juice is given by

![Demand Curve](image)

24. **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

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

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

27. **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.

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

29. A student has decided to buy Chinese spring rolls for lunch. She should buy at least 4 spring rolls if
   a. she would be hungry after eating three spring rolls.
   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. the benefits of 4 spring rolls are greater than their cost.

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

**Scenario NLA.** When per capita income falls from $40,000 to $32,000, the quantity of potatoes demanded by consumers increases by 15%.

31. **See Scenario NLA.** What is the income elasticity of demand for potatoes?
   a. $+4/3$
   b. $+3/4$
   c. $–3/4$
   d. $–4/3$

32. **See Scenario NLA.** What is implied about the demand for potatoes?
   a. Potatoes and meat are complements.
   b. Consumers want to buy more potatoes when incomes are smaller.
   c. Consumers want to buy more potatoes when the price of potatoes is higher.
   d. The own-price demand for potatoes is elastic.
33. 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 _____.
   \[ P \quad Q \]
   a. fall; rise
   b. rise; rise
   c. fall; fall
   d. rise; fall

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

35. 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. $42
   b. $18
   c. the cost of printing the ticket.
   d. $24

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

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

38. Which of the following is an advantage of selling and buying as compared with barter?
   a. Selling and buying is a form of voluntary exchange.
   b. Selling and buying requires more markets than barter does.
   c. Selling and buying yields prices that measure value.
   d. Selling and buying is more difficult to tax.

39. 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. many people prefer synthetic clothing.
   b. harvesting cotton is expensive.
   c. it takes several years to prepare land for growing cotton.
   d. people don’t replace their clothing quickly.

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