INSTRUCTIONS: Take out your pencils and your BU ID card.

ON YOUR QUESTION BOOKLET:  
PRINT your name and Student ID Number [exactly as they appear on your BU ID Card], and then your Discussion Section Number (e.g. D5). Sign on the signature line.

ON YOUR GRADESCOPE BUBBLE SHEET:  
In the boxes at the top-left of the bubble sheet:
- PRINT your NAME and Student ID, exactly as they appear on your BU ID Card. Include the ‘U’ in your ID.
- Print your discussion SECTION number (D1 - D9, E0 - E6) and Today’s Date in the boxes below.
- In the box at the top right, bubble your exam VERSION .
- Print your lecture section, (EC101DD or EC101EE) in the “Other” box. 

Print neatly. 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 Bubble Sheet with the instructor or teaching fellow. Students in EC101 DD must give the TF both the Question Booklet and the Bubble Sheet at the end of the exam and exit from the front of the room. Students in EC101 EE should keep their Question Booklet and turn in only their Bubble Sheets. All students must show their BU Student IDs as to the TF 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 other answers can be justified by unusual assumptions.) On the Question Booklet, CIRCLE the answer that you chose. Then BUBBLE the answer on the Bubble Sheet.

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

***DO NOT sit near your friends during the exam.
***DO NOT write down your answers in large letters that others can see.
***YOU MAY NOT USE A CALCULATOR, CELL PHONE OR LAPTOP.

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 a medical study demonstrates that red wine is good for the heart. Then the price of red wine would _____ and the quantity of red wine consumed would _____.
   a. price rise; quantity rise
   b. price rise; quantity fall
   c. price fall; quantity rise
   d. price fall; quantity fall

2. A perfectly inelastic supply curve is
   a. horizontal
   b. vertical
   c. diagonal
   d. **NONE** of the above

3. On Tuesday, Professor Plum asked Skip why he came to class. Skip said it was because he didn’t have anything better to do. This indicates that
   a. Skip considers leisure to be a complement of university education.
   b. Skip’s opportunity cost of going to class is smaller than the benefit.
   c. Skip’s elasticity of demand for education is low.
   d. Professor Plum believes that his lectures are a normal good.

4. Which of the following is **not** a determinant of demand?
   a. the price of a substitute good
   b. the expected price of the good next month
   c. the price of a complementary good
   d. the price of an input used to produce the good

5. What is the opportunity cost of college room-and-board expenses?
   a. Your full room-and-board expenses
   b. What you would have bought with your extra college room-and-board expenses if you weren’t in college
   c. Zero
   d. The excess of your room-and-board expenses over the income you earn while attending college

6. When the price of hot dogs is $1.50 each, 500 hot dogs are sold every day. After the price falls to $1.35 each, 510 hot dogs are sold every day. At the original price, what is the price elasticity of demand for hot dogs?
   a. –1/5
   b. –5
   c. –1
   d. –0.015

7. The exchange of goods or services in a free market is likely to increase the welfare of both sides because
   a. the majority of individuals in a free market economy can obtain what they want.
   b. in free markets exchange is voluntary.
   c. free exchange eliminates poverty.
   d. in free markets individuals tend to know the people that they trade with.

8. If the price elasticity of supply for cell phone service is 3, a 20% price increase will cause the quantity supplied to increase by
   a. 3%
   b. 20%
   c. 6.67%
   d. 60%

9. Which of the following is **not** a property of a perfectly competitive market?
   a. A homogeneous good is being sold.
   b. There are many buyers but only a few sellers.
   c. Buyers and sellers are self-interested and rational.
   d. All transactions are voluntary.

10. A demand curve normally shifts when
    a. the price changes.
    b. the supply changes.
    c. the cost of production changes.
    d. the consumer’s income changes.

11. Which of the following would normally be considered to be an example of complements?
    a. hamburgers and pizzas
    b. houses and furniture
    c. “Your haircut looks great.”
    d. butter and vegetable oil
12. **See Figure DSQ.** The market equilibrium price of flour is
   a. $7
   b. $4
   c. 0
   d. $3

13. **See Figure DSQ.** What is the elasticity of supply when the price goes from $5 to $6?
   a. 1
   b. 2/3
   c. 4/5
   d. 5/4

14. **See Figure DSQ.** Suppose that a drought destroys part of the wheat crop from which flour is made. Then, what would happen to the equilibrium price and quantity of flour sold?
   a. Price would rise and the quantity would decrease.
   b. Price would fall and the quantity would decrease.
   c. Price would fall and the quantity would increase.
   d. Price would rise and the quantity would increase.

15. **See Figure DSQ.** The quantity of flour supplied at a price of $3 is:
   a. 150
   b. 100
   c. 300
   d. 0

16. An inward shift in the demand for lettuce could be caused by
   a. a report that Joe Biden throws his lettuce in the trash.
   b. an increase in the price of fertilizer used by lettuce farmers.
   c. a decrease in the price of lettuce.
   d. an increase in the population of lettuce-eating rabbits.

17. A market demand curve contains information about
   a. how much all consumers would want to buy at various prices.
   b. the determinants of individual demand.
   c. how much all consumers have purchased.
   d. the quantity each consumer has purchased.

18. Which of the following comes closest to perfect competition?
   a. the market for wheat
   b. supermarkets (for food and related items)
   c. restaurants in the Boston area
   d. the sale and purchase of designer clothing

19. A point on Emily’s demand curve for milk tells us
   a. how much milk Emily will buy.
   b. how much milk Emily can buy for the specified amount of money.
   c. how much milk Emily would buy at the specified price.
   d. what the price would be if average consumption were at the specified quantity.

20. Emily buys more milk when the price of milk is lower, because
   a. supply curves are always upward sloping.
   b. low prices are correlated with low quality in perishable goods.
   c. low prices allow her to buy milk for less important purposes.
   d. low prices imply excess supply.
21. In a complex economy, selling and buying is a more effective procedure for exchange than barter is, because
   a. barter leads to low quality goods and services.
   b. barter cannot be applied to services.
   c. with barter it is difficult to find an appropriate trading partner.
   d. selling and buying requires the use of money.

22. The supply curve for broccoli could shift to the left because of
   a. a report that eating broccoli causes liver disease.
   b. a decrease in the price of broccoli.
   c. an increase in the population of insects that attack the broccoli plant.
   d. a statement by Xi Jinping that broccoli tastes bad.

23. Arbitrage occurs only
   a. in markets for luxury goods.
   b. when the same goods are sold at different prices.
   c. when profit margins are high.
   d. NONE of the above

24. Capital formation requires
   a. a sacrifice of consumption.
   b. the availability of advanced technologies.
   c. an increase in the money supply.
   d. the printing of stock certificates.

25. Which of the following is not a capital good?
   a. a screwdriver
   b. a factory building
   c. 100 shares of Google stock
   d. a washing machine

26. Relative to a person who earns $7 per hour, a person who earns $30 per hour has
   a. a lower opportunity cost of driving farther to work.
   b. the same opportunity cost of spending time on leisure activities.
   c. a higher opportunity cost of taking a day off.
   d. a lower opportunity cost of working longer hours.

27. Economists use models, because
   a. exceptions to the model prove that people are irrational.
   b. every economic situation is essentially the same, so specific details are unnecessary.
   c. computers are able to process even unimportant details.
   d. omitting unimportant details makes analysis easier.

28. If people stop drinking milk,
   a. there would be fewer dairy cows, because farmers would have less incentive to keep them.
   b. the supply curve of milk would shift up.
   c. the supply curve of milk would shift out to compensate for the smaller demand.
   d. there would be more dairy cows, because more calves (baby cows) would have milk to drink.

29. Suppose the total value of US stocks drops by $100 billion because Donald Trump announces that a black cat is bringing him bad luck. Then,
   a. prices of inferior goods would fall.
   b. factories would be able to produce the same amount as earlier.
   c. the value of goods produced would be $100 billion less.
   d. the country is $100 billion poorer.

30. To an economist, “saving” is
   a. selling stocks or mutual funds.
   b. donating money to the poor.
   c. depositing money in a savings account.
   d. consuming less than you produce.

31. The cross price elasticity of demand for two goods that are complements is
   a. zero
   b. uncertain.
   c. negative
   d. positive

32. As compared with barter, selling and buying
   a. requires the use of a widely accepted medium of exchange.
   b. makes it easier to find trading partners.
   c. yields more useful information about market value.
   d. ALL of the above
The graph below describes the market for cups of coffee. Changes in the market cause supply to shift from $S$ to $S'$ and demand to shift from $D$ to $D'$.

33. **See Figure SFD.** In the original market equilibrium
   a. 60 cups of coffee are sold for $1.50 each.
   b. 30 cups of coffee are sold for $1.50 each.
   c. 50 cups of coffee are sold for $2.50 each.
   d. 40 cups of coffee are sold for $2.00 each.

34. **See Figure SFD.** What might cause demand to shift from the $D$ to $D'$?
   a. A report that coffee is bad for your health.
   b. An increase in incomes.
   c. An expectation that coffee prices will fall in the future.
   d. A decrease in the price of tea.

35. **See Figure SFD.** What might cause supply to shift from the $S$ to the $S'$?
   a. Better coffee machines make more cups of coffee from the same quantity of coffee beans.
   b. A storm in South America destroys many coffee plants.
   c. The price of tea goes up.
   d. More people start drinking coffee.

36. **See Figure SFD.** What is the elasticity of supply on curve $S$ when the price changes from $2 to $2.50?
   a. $-2$
   b. $1$
   c. $0$
   d. $2$

37. 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.

38. Suppose statistics show that regular coffee drinkers are more likely to get cancer than other people are. Then we can conclude that
   a. chemicals in coffee are a likely cause of cancer.
   b. frequent coffee drinking and cancer are associated.
   c. people who drink 4 cups of coffee each day are more likely to get cancer than those who drink 3 cups a day.
   d. avoiding coffee would reduce the chance of getting cancer.

39. A market supply curve summarizes information about
   a. the quantity sold.
   b. the method of production.
   c. the quantities sold in each past and future time period.
   d. how much all producers would want to sell at various prices.

40. What is the primary focus of the study of economics?
   a. The design of structures and equipment for production and distribution.
   b. The creation of good organizational charts.
   c. Experiments on people and animals to see how they consume.
   d. Human behavior associated with production and distribution.