

Name (last, first):

Student ID: - - Discussion Section:

Signature _____

EC101 DD/EE Midterm Exam 1 (F21)

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!

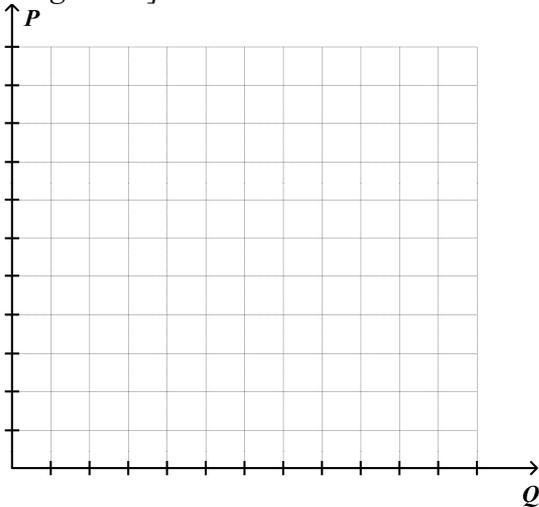
DO NOT OPEN THIS BOOKLET OR TURN IT OVER
[until told to do so]

1. In Richmond, most people like to eat pork and chicken mixed together on their plates. The cross-price elasticity of demand for pork and chicken in Richmond is likely to be
 - a. infinite.
 - b. zero.
 - c. negative.
 - d. positive.
2. Suppose medical researchers announce that drinking milk and eating cheese provide the same health benefits. Then consumer demand for milk would
 - a. shift right.
 - b. become more inelastic.
 - c. shift left.
 - d. become more elastic.
3. A fall in housing prices
 - a. makes home owners wealthier.
 - b. makes society poorer.
 - c. increases housing construction.
 - d. is good for young people starting families.
4. Drivers who smoke have five times the accident rate that nonsmokers do. This implies that
 - a. most smokers are men, and men are more likely to have accidents than women are.
 - b. drivers who take risks with their health also take risks with their cars.
 - c. smoking is correlated with auto accidents.
 - d. a law against smoking while driving would reduce the accident rate.
5. In Sicily, people like to eat spaghetti with meatballs. If the price of meat rises, then
 - a. the demand for spaghetti will shift left.
 - b. the demand for meat will shift right.
 - c. the demand for meat will shift left.
 - d. the demand for spaghetti will shift right.
6. In 1994 the price of cigarettes was \$3.00 per pack, and 40 billion packs were sold. When the price rose to \$3.15 a pack, 38 billion packs were sold. In this case, we should expect the revenues of cigarette companies to
 - a. rise between 4 and 6 percent.
 - b. fall below its costs.
 - c. fall between 4 and 6 percent.
 - d. remain more or less unchanged.
7. As defined by economists, a good example of an investment would be
 - a. depositing money in a savings account.
 - b. buying US bonds.
 - c. learning computer programming.
 - d. buying bitcoins.
8. Which of the following is *NOT* a property of a perfectly competitive market?
 - a. Buyers prefer low prices and sellers prefer high prices.
 - b. Buyers and sellers are well informed.
 - c. Transactions are voluntary.
 - d. Sellers are self-employed.
9. Economists define the wealth of a nation as
 - a. its trade surplus minus its trade deficit.
 - b. the exchange rate of its national currency.
 - c. the value of all currency controlled by its central bank.
 - d. the productive capacity of its capital goods.
10. To form the market demand curve from individual demand curves you
 - a. divide the average quantity by the number of individual demand curves.
 - b. add up the individual quantities demanded at each price.
 - c. multiply the number of individual demand curves by the average price.
 - d. add up the prices at each quantity.
11. Suppose that eating chicken was shown to cause heart disease. If people in the US stopped eating chicken, then in the long run, there would probably be _____ in the US than before.
 - a. fewer chickens
 - b. more trees
 - c. more restaurants
 - d. fewer ducks
12. The demand for meat is more elastic than the demand for pepper, because
 - a. producing meat requires more land and labor than producing pepper does.
 - b. meat is a necessity, but pepper isn't.
 - c. there are no close substitutes for meat.
 - d. meat is a large part of most people's food expenditures.

13. A law is passed that a firm is not allowed to fire workers. Which of the following is *NOT* a likely effect of the law?
 - a. Fewer workers will be hired.
 - b. Workers won't be afraid to criticize their employers.
 - c. Workers will work harder.
 - d. Firms will lose profits.
14. Arbitrage in the zinc market will occur only when
 - a. zinc mining is very profitable.
 - b. zinc prices are different in different markets.
 - c. zinc demand is unusually high.
 - d. new zinc mines have been opened.
15. Suppose the United States has a fire in its central bank. Unfortunately 20,000 one-hundred dollar bills have been lost to the fire. We can say that the wealth of the US has fallen by
 - a. the value of the gold that could be bought with those bills.
 - b. \$2,000,000.
 - c. the cost of printing 20,000 new bills.
 - d. \$20,000.
16. Capital formation normally requires
 - a. an increase in stock-market activity.
 - b. new patent applications.
 - c. a sacrifice of consumption.
 - d. the sale of treasury bonds by the central bank.
17. In the last 50 years, which of the following has made the most important contribution to economic growth in most countries in the world?
 - a. additional manmade land
 - b. capital formation
 - c. an increased supply of labor
 - d. computers and electronic devices
18. Which of the following topics is most important in the study of economics?
 - a. how managers respond to the complaints of workers
 - b. how people respond to economic incentives
 - c. the design of electronic equipment in factories
 - d. the size of corporate boards of directors
19. Perfectly competitive markets are
 - a. the most common type of market in free-market economies.
 - b. found in many manufacturing industries.
 - c. found mainly in the retail industry.
 - d. common in economic models, but not in the real world.
20. The king of Corsica is considering going to war against the evil Sardinia. What is the main opportunity cost of war for the kingdom of Corsica?
 - a. the lost production of wheat when farmers become soldiers
 - b. the cost of food for Corsica's soldiers
 - c. Corsica's payments to its soldiers
 - d. Sardinia's payments to its soldiers
21. On October 19, 1987, the value of stocks listed on US stock markets decreased by \$500 billion. This implies that
 - a. younger generations became poorer.
 - b. the trade deficit of the US was increasing.
 - c. stock market investors placed a lower value on US assets.
 - d. \$500 billion worth of capital goods were lost.
22. Which of the following is *NOT* a reason why voluntary exchange might lower a buyer's welfare.
 - a. temptation
 - b. sales taxes
 - c. poor information
 - d. deceptive marketing
23. A student's roommate invites her to go to concert, but the student decides she'd rather go to the movies. Later, she remembers she has an economics exam next Tuesday. The opportunity cost of studying for the exam would be
 - a. watching the movie.
 - b. attending the concert.
 - c. a better grade on the exam.
 - d. watching the movie and attending the concert.

Scenario RHA. Suppose mad-cow disease kills many milk cows in Britain. Moreover, many British people believe that mad-cow disease could be transmitted to consumers who drink milk.

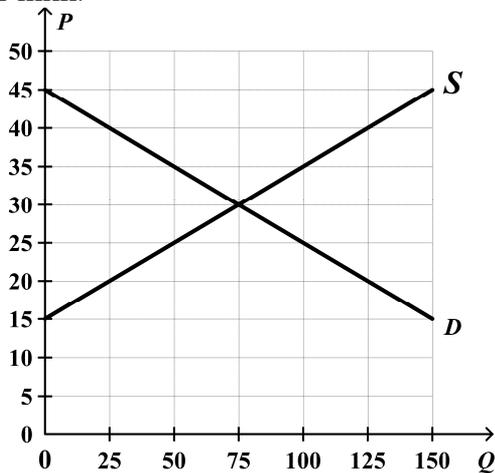
[You may draw in the space below to help you answer the following questions. The drawing will NOT be graded.]



24. **See Scenario RHA.** The supply curve for milk will
 - a. shift right.
 - b. shift left.
 - c. rotate.
 - d. be unaffected.
25. **See Scenario RHA.** The demand curve for milk will
 - a. shift right.
 - b. shift left.
 - c. be unaffected.
 - d. rotate.
26. **See Scenario RHA.** The equilibrium price of milk
 - a. will increase.
 - b. will decrease.
 - c. will not change.
 - d. could increase or decrease.
27. Trusting other people is productive, mainly because trust
 - a. assists tax collections.
 - b. makes voluntary exchange easier.
 - c. enables people to cheat.
 - d. discourages dishonest government officials.

28. Paper money can function only if it is
 - a. used by banks.
 - b. printed by the government.
 - c. backed by precious metals (usually gold or silver).
 - d. widely accepted.
29. Which of the following explains why an individual's demand curve for beer might be downward sloping?
 - a. At lower prices you may want to drink beer more frequently.
 - b. At very low prices brewers (beer producers) may go out of business.
 - c. Some people are addicted to the alcohol in beer.
 - d. High-quality beer has a higher price.
30. Which of the following is *NOT* capital?
 - a. experience as a carpenter
 - b. electricity used by universities
 - c. honest government officials
 - d. an office building
31. 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. how easily sellers can change the amount of the good they produce.
 - d. the ability of sellers to change the price of the good they produce.
32. EC101 DD/EE students on campus buy face masks because of Covid-19. Which answer is most likely to be true?
 - a. Face masks are luxury goods, so demand is unit-elastic.
 - b. Face masks are required, so demand is inelastic.
 - c. Face masks are cheaper than most textbooks, so demand is elastic.
 - d. Face masks are inferior goods, so demand is inelastic.

Figure ACC. Supply and Demand in the market for milk.



33. **See Figure ACC.** At a price of \$30 the market would
- be in equilibrium.
 - have an excess demand of 75 units.
 - have an excess demand of 50 units.
 - have an excess supply of \$5.
34. **See Figure ACC.** If the price is \$40, then
- the demand curve will shift right.
 - the supply curve will shift left.
 - the quantity purchased will have a tendency to decrease.
 - the price will have a tendency to decrease.
35. **See Figure ACC.** When the price increases from \$25 to \$30, the price elasticity of supply is approximately
- 0.5
 - 1.25
 - 0.5
 - 2.5
36. **See Figure ACC.** A rumor that a dangerous chemical has been added to milk causes the quantity demanded to be cut in half at every price. The new equilibrium price of milk would be about _____. [Hint: Draw on the graph in Figure ACC.]
- 25
 - 18
 - 0
 - 30
37. In a perfectly competitive market, different people will **NOT** exchange the same good at different prices, because
- the law requires large corporations to sell at the official price set by the government.
 - some sellers and some buyers facing relatively bad offers would refuse to complete the exchange.
 - arbitrageurs cannot earn profits unless all prices are high.
 - individual consumers normally buy sufficiently large quantities to obtain the lowest price.
38. Paying for highway maintenance with highway tolls instead of income taxes
- allows better enforcement of speed limits.
 - improves public transportation.
 - is unfair to car owners.
 - reduces highway congestion.
39. Which of the following does **NOT** function as money in modern economies?
- data in bank computers
 - education and training
 - unspent balances of credit cards
 - paper accepted as payment by most sellers
40. The production process
- is a series of transformations of some goods and services into other goods and services.
 - determines who gets the goods and services.
 - does not involve human capital or physical capital.
 - determines the size of the labor force and the labor-force participation rate.

EC101 DD/EE Midterm Exam 1 (F21)

Answer Section

MULTIPLE CHOICE

- | | |
|------------|----------|
| 1. ANS: C | REF: Q27 |
| 2. ANS: D | REF: Q28 |
| 3. ANS: D | REF: Q29 |
| 4. ANS: C | REF: Q30 |
| 5. ANS: A | REF: Q33 |
| 6. ANS: D | REF: Q31 |
| 7. ANS: C | REF: Q6 |
| 8. ANS: D | REF: Q1 |
| 9. ANS: D | REF: Q2 |
| 10. ANS: B | REF: Q3 |
| 11. ANS: A | REF: Q4 |
| 12. ANS: D | REF: Q5 |
| 13. ANS: C | REF: Q22 |
| 14. ANS: B | REF: Q17 |
| 15. ANS: C | REF: Q19 |
| 16. ANS: C | REF: Q20 |
| 17. ANS: B | REF: Q21 |
| 18. ANS: B | REF: Q40 |
| 19. ANS: D | REF: Q12 |
| 20. ANS: A | REF: Q16 |
| 21. ANS: C | REF: Q11 |
| 22. ANS: B | REF: Q13 |
| 23. ANS: A | REF: Q14 |
| 24. ANS: B | REF: Q7 |
| 25. ANS: B | REF: Q8 |
| 26. ANS: D | REF: Q9 |
| 27. ANS: B | REF: Q41 |
| 28. ANS: D | REF: Q10 |
| 29. ANS: A | REF: Q34 |
| 30. ANS: B | REF: Q35 |
| 31. ANS: C | REF: Q36 |
| 32. ANS: B | REF: Q37 |
| 33. ANS: A | REF: Q23 |
| 34. ANS: D | REF: Q24 |
| 35. ANS: D | REF: Q25 |
| 36. ANS: A | REF: Q26 |
| 37. ANS: B | REF: Q39 |
| 38. ANS: D | REF: Q42 |
| 39. ANS: B | REF: Q44 |
| 40. ANS: A | REF: Q45 |