

Name (last, first):

Student ID: ---- Discussion Section:

Signature \_\_\_\_\_

### EC101 DD/EE Midterm Exam 1 Makeup (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!*

#### WHEN YOU FINISH THE EXAM

Students must give the instructor or TF both the Question Booklet and the Bubble Sheet.

#### 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.

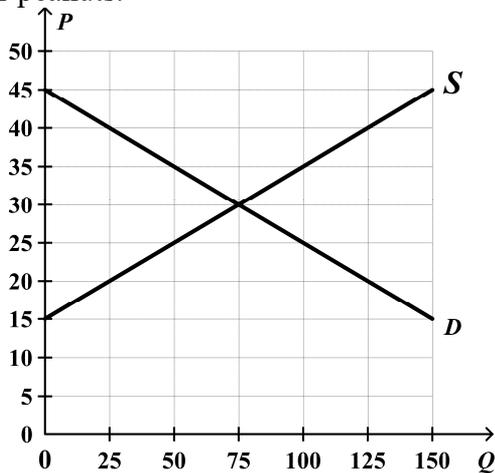
\*\*\*DO NOT write down your answers in large letters that others can see.

\*\*\*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]

**Figure MEA.** Supply and Demand in the market for peanuts.



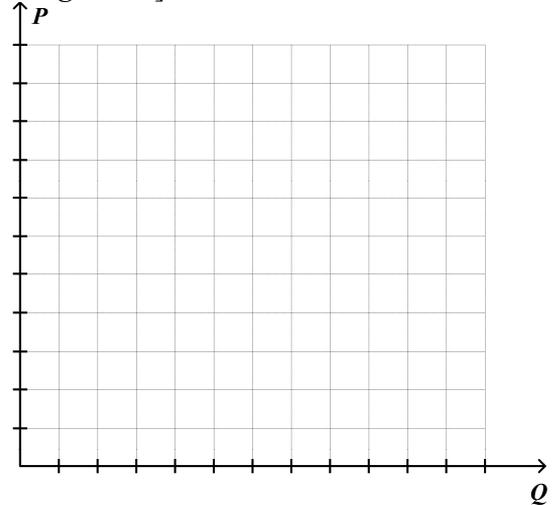
- See **Figure MEA**. At a price of \$30 the market would
  - have an excess supply of \$5.
  - have an excess demand of 75 units.
  - have an excess demand of 50 units.
  - be in equilibrium.
- See **Figure MEA**. If the price is \$40, then
  - the quantity purchased will have a tendency to decrease.
  - the supply curve will shift left.
  - the demand curve will shift right.
  - the price will have a tendency to decrease.
- See **Figure MEA**. When the price increases from \$25 to \$30, the price elasticity of supply is approximately
  - 2.5
  - 0.5
  - 0.5
  - 1.25
- See **Figure MEA**. A rumor that peanuts protect against Covid-19 causes the quantity demanded to double at every price. The new equilibrium price of peanuts would be about \_\_\_\_\_. [Hint: Draw on the graph in Figure MEA.]
  - 40
  - 45
  - 35
  - 25
- In Aberdeen, most people like to eat fish and eggs mixed together on their plates. The cross-price elasticity of demand for fish and eggs in Aberdeen is likely to be
  - positive.
  - negative.
  - zero.
  - infinite.
- Suppose medical researchers announce that drinking milk and eating cheese provide the same health benefits. Then consumer demand for milk would
  - shift right.
  - become more inelastic.
  - become more elastic.
  - shift left.
- A fall in housing prices
  - is good for young people starting families.
  - makes home owners wealthier.
  - increases housing construction.
  - makes society poorer.
- Drivers who smoke have five times the accident rate that nonsmokers do. This implies that
  - drivers who take risks with their health also take risks with their cars.
  - most smokers are men, and men are more likely to have accidents than women are.
  - smoking is correlated with auto accidents.
  - a law against smoking while driving would reduce the accident rate.
- In France, people like to eat bread with butter. If the price of butter rises, then
  - the demand for bread will shift right.
  - the demand for butter will shift right.
  - the demand for bread will shift left.
  - the demand for butter will shift left.
- In 2014 the price of cigarettes was \$6.00 per pack, and 20 billion packs were sold. When the price rose to \$6.30 a pack, 19 billion packs were sold. In this case, we should expect the revenues of cigarette companies to
  - rise between 5 and 8 percent.
  - remain approximately unchanged.
  - fall between 5 and 8 percent.
  - fall below its costs.

11. The demand for meat is more elastic than the demand for pepper, because
  - a. meat is a large part of most people's food expenditures.
  - b. producing meat requires more land and labor than producing pepper does.
  - c. meat is a necessity, but pepper isn't.
  - d. there are no close substitutes for meat.
12. As defined by economists, a good example of an investment would be
  - a. depositing excess cash in a checking account.
  - b. depositing money in a savings account.
  - c. practicing public speaking.
  - d. buying US treasury bills.
13. Which of the following is **NOT** a property of a perfectly competitive market?
  - a. Buyers are not wealthy.
  - b. Sellers and buyers are well informed.
  - c. Buyers prefer low prices and sellers prefer high prices.
  - d. Transactions are voluntary.
14. Economists define the wealth of a nation as
  - a. the value of all currency controlled by its central bank.
  - b. the quantity of gold (and other precious metal) in its treasury's vaults.
  - c. its trade surplus minus its trade deficit.
  - d. the nation's productive capacity.
15. Which of the following is **NOT** a reason why voluntary exchange might lower a buyer's welfare.
  - a. sales taxes
  - b. poor information
  - c. deceptive marketing
  - d. temptation
16. 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 ducks
  - b. more trees
  - c. fewer chickens
  - d. more restaurants
17. Which of the following topics is most important in the study of economics?
  - a. the design of electronic equipment in factories
  - b. the size of corporate boards of directors
  - c. how people respond to economic incentives
  - d. how managers respond to the complaints of workers
18. 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 cost of printing 20,000 new bills.
  - b. the value of the gold that could be bought with those bills.
  - c. \$20,000.
  - d. \$2,000,000.
19. Capital formation normally requires
  - a. an increase in stock-market activity.
  - b. the sale of treasury bonds by the central bank.
  - c. a sacrifice of consumption.
  - d. new patent applications.
20. 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. Workers will work harder.
  - b. Fewer workers will be hired.
  - c. Firms will lose profits.
  - d. Workers won't be afraid to criticize their employers.
21. 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. an increased supply of labor
  - b. capital formation
  - c. computers and electronic devices
  - d. additional manmade land
22. Arbitrage in the zinc market will occur only when
  - a. zinc mining is very profitable.
  - b. zinc demand is unusually high.
  - c. zinc prices are different in different markets.
  - d. new zinc mines have been opened.

23. Which of the following explains why an individual's demand curve for beer might be downward sloping?
- Some people are addicted to the alcohol in beer.
  - At very low prices brewers (beer producers) may go out of business.
  - At lower prices you may want to drink beer more frequently.
  - High-quality beer has a higher price.
24. 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?
- Sardinia's payments to its soldiers
  - Corsica's payments to its soldiers
  - the lost production of wheat when farmers become soldiers
  - the cost of food for Corsica's soldiers
25. Paper money can function only if it is
- widely accepted.
  - used by banks.
  - printed by the government.
  - backed by precious metals (usually gold or silver).
26. To form the market demand curve from individual demand curves you
- add up the individual quantities demanded at each price.
  - add up the prices at each quantity.
  - divide the average quantity by the number of individual demand curves.
  - multiply the number of individual demand curves by the average price.
27. Which of the following does **NOT** function as money in modern economies?
- unspent balances of credit cards
  - education and training
  - paper accepted as payment by most sellers
  - data in bank computers
28. On October 19, 1987, the value of stocks listed on US stock markets decreased by \$500 billion. This implies that
- younger generations became poorer.
  - \$500 billion worth of capital goods were lost.
  - stock market investors placed a lower value on US assets.
  - the trade deficit of the US was increasing.
29. Which of the following is **NOT** capital?
- honest government officials
  - experience as a carpenter
  - an office building
  - electricity used by universities
30. 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.
31. Perfectly competitive markets are
- found in many manufacturing industries.
  - the most common type of market in free-market economies.
  - found mainly in the retail industry.
  - common in economic models, but not in the real world.
32. A key determinant of the price elasticity of demand is
- the ability of sellers to change the price of the goods they produce.
  - the shape of the demand curve.
  - how responsive sellers are to changes in the market price.
  - how easily sellers can change the amount of the good they produce.
33. Trusting other people is productive, mainly because trust
- enables people to cheat.
  - discourages dishonest government officials.
  - makes voluntary exchange easier.
  - assists tax collections.

34. In a perfectly competitive market, different people will **NOT** exchange the same good at different prices, because
- individual consumers normally buy sufficiently large quantities to obtain the lowest price.
  - 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.
35. The production process
- determines who gets the goods and services.
  - determines the size of the labor force and the labor-force participation rate.
  - does not involve human capital or physical capital.
  - is a series of transformations of some goods and services into other goods and services.
36. EC101 DD/EE students on campus buy face masks because of Covid-19. Which answer is most likely to be true?
- Face masks are inferior goods, so demand is inelastic.
  - Face masks are required, so demand is inelastic.
  - Face masks are luxury goods, so demand is unit-elastic.
  - Face masks are cheaper than most textbooks, so demand is elastic.
37. 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
- attending the concert.
  - watching the movie and attending the concert.
  - watching the movie.
  - a better grade on the exam.

**Scenario TAJ.** Suppose FMD (a virus that infects domestic animals) kills many goats in Tajikistan. Moreover, many Tajiks believe that FMD could be transmitted to consumers who eat goat meat.  
*[You may draw in the space below to help you answer the following questions. The drawing will NOT be graded.]*



38. **See Scenario TAJ.** The supply curve for goat meat will
- shift left.
  - be unaffected.
  - rotate.
  - shift right.
39. **See Scenario TAJ.** The demand curve for goat meat will
- shift left.
  - be unaffected.
  - shift right.
  - rotate.
40. **See Scenario TAJ.** The equilibrium price of goat meat
- will not change.
  - could increase or decrease.
  - will decrease.
  - will increase.

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## Answer Section

### MULTIPLE CHOICE

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