Real exam is 6 questions longer, but this should give you an idea of the ***type*** of questions that will be on the midterm, also see CL questions and quiz questions for extra practice. Answer key can be found on the last page.

Consumer Goods	5	4	3	2	1	0
Capital Goods	0	10	18	24	28	30

1. According to the table above, the opportunity cost of producing the fourth unit of consumer goods is_________ units of consumer goods.
   A) 4
   B) 6
   C) 8
   D) 10

2. For an economy to have a bowed out PPC it must have
   A) Constant opportunity costs
   B) Increasing opportunity costs
   C) Decreasing opportunity costs
   D) Diminishing opportunity costs

Table: Comparative Advantage I

Sweden and Finland produce only two goods, herring and cell phones, and this table shows the maximum amount that each nation can produce of the two goods.

	Sweden	Finland
Herring	100,000	50,000
Cell phones	10,000	10,000

Assume constant opportunity costs within each country and that each country has the same level of resources

3. (Table: Comparative Advantage I) Sweden has an absolute advantage in producing:
   A) cell phones only.
   B) herring only.
   C) both cell phones and herring.
   D) neither cell phones nor herring.

4. (Table: Comparative Advantage I) Sweden has a comparative advantage in producing:
   A) cell phones only.
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   C) both cell phones and herring.
   D) neither cell phones nor herring.

5. If the price of burritos increases from $4 to $6, and customers decrease their consumption from 20 to 10 burritos, what is the price elasticity of demand, using the midpoint method?
   A) 5/3
   B) 2/3
   C) 3/5
   D) 5

6. The demand for table salt tends to be relatively price-inelastic because:
   A) For most people there are many close substitutes for salt.
   B) Salt represents a very small portion of a persons income and spending.
   C) In the long run, people can find alternatives for salt.
   D) The market for salt is a very specific market

7. If the cross-price elasticity of demand between goods is ______ this means the goods are _______ in consumption
   A) positive: complements
   B) negative: substitutes
   C) positive: substitutes
   D) zero: complements

8. Quantity demanded changes when
   A) Price Changes
   B) Demand Changes (ceteris paribus)
   C) Supply Changes (ceteris paribus)
   D) All of the above

9. What is the formula for the elasticity of supply?
A) Percent change in price divided by percent change in quantity supplied
B) Percent change in quantity supplied divided by percent change in price
C) Percent change in Income divided by percent change in quantity supplied
D) Percent change in quantity supplied divided by percent change in Income

10. If the technology used to produce coconuts improves, then we would expect
    A) Supply would increase
    B) Demand would increase
    C) Supply would decrease
    D) Demand would decrease

11. If Demand and Supply both increase, we know for certain that:
    A) Equilibrium Price will decrease
    B) Equilibrium Quantity will decrease
    C) Equilibrium Price will increase
    D) Equilibrium Quantity will increase

12. Assume Pizza and Lasagna are substitutes in consumption. If the price of Pizza decreases, in the market for Lasagna we expect:
    A) Demand to increase
    B) Demand to decrease
    C) Supply to decrease
    D) Supply to increase

13. Assume an economy has a GDP of $250 and grows 7% a year. Using the compound growth formula, after 15 years what will GDP be (rounded to the nearest dollar)?
    A) $355
    B) $268
    C) $665
    D) $690

Table: The Lemonade Market

Price of Lemonade (per cup)	Number of Cups Demanded (Qd)	Number of Cups Supplied (Qs)
$ .50	250	25
$ .75	200	50
$1.00	150	75
$1.25	100	100
$1.50	50	125
$1.75	20	150

14. (Table: The Lemonade Market) If the price of a cup of lemonade is $1.00, what will exist in the market?
    A) a surplus of 150 cups
    B) a shortage of 150 cups
    C) a shortage of 75 cups
    D) a surplus of 75 cups

15. If demand is inelastic and a business raised their prices, this would cause
    A) Quantity demanded to change by a smaller percent than Price
    B) Quantity demanded to change by a larger percent than Price
    C) Quantity supplied to change by a smaller percent than Price
    D) Quantity supplied to change by a larger percent than Price

16. If Demand is: $Q_d=-3P+11$
    And Supply is: $Q_s=2P+1$
    What is equilibrium quantity?
    A) 2
    B) 3
    C) 4
    D) 5

17. If a country is producing along its PPC curve we know for certain
    A) It is achieving allocative efficiency
    B) It is achieving productive efficiency
    C) It is fully employing most of its resources
    D) All of the above

18. Ceteris paribus if supply decreases
    A) Equilibrium Quantity will increase and Equilibrium Price will increase
    B) Equilibrium Quantity will decrease and Equilibrium Price will decrease
    C) Equilibrium Quantity will decrease and Equilibrium Price will increase
    D) Equilibrium Quantity will increase and Equilibrium Price will decrease

19. If the elasticity of supply is .35 this implies that for a 20% increase in price
    A) Quantity supplied will increase 7%
    B) Quantity supplied will increase 20%
    C) Quantity supplied will increase 35%
    D) Quantity supplied will increase 57%

20. Good Models should be:
    A) Tractable and Predictive
    B) Simple and Obvious
    C) Accurate and Complex
    D) Perfectly representative of the real world

21. According to the rule of 70 with a growth rate of 2% approximately how long will it take for an economy to double in size
    A) 2 years
    B) 35 years
    C) 50 years
    D) 70 years

22. If producers expected that there was a "fad" (an intense and widely shared enthusiasm for something, especially one that is short-lived and without basis in the object's qualities; a craze) coming for kangaroo meat, and consumers simultaneously found out Kangaroo meat was very lean and healthy, the shifts in supply and demand would most likely cause
    A) Equilibrium price to increase
    B) Equilibrium price to decrease
    C) Equilibrium quantity to increase
    D) Equilibrium quantity to decrease

23. Economists like free trade because
    A) It has the potential to be Pareto improving for all nations involved
    B) Economists believe in survival of the fittest and want employees in weak industries to be eliminated
    C) It makes countries with absolute advantage better off and punishes countries without absolute advantage
    D) They do not actually like free trade, trick question

24. According our models from class, as we increase the amount of capital used in production, ceteris paribus, returns to capital are ________ and the marginal returns to capital are __________
   A) increasing: increasing
   B) increasing: decreasing
   C) decreasing: decreasing
   D) decreasing:increasing

Answers:

1. C
2. B
3. B
4. B
5. A
6. B
7. C
8. D
9. B
10. A
11. D
12. B
13. D
14. C
15. A
16. D
17. B
18. C
19. A
20. A
21. B
22. C
23. A
24. B