

First Exam

Write all answers in your blue book and show all work there. Return your exam in your blue book.

20 pts.

1) Suppose that good x is thought to be bad for you. The “save us from x ” group says that we should tax x heavily, but it maintains that the tax must be paid by the consumers, not the producers. Otherwise, they say that consumers won’t be paying the tax and not be affected. Do you agree? Why.

20 pts.

2) Suppose that $Q_D = 100 - 2P$ and $Q_S = -10 + 100P$

a) Find the untaxed equilibrium.

Now suppose that there is an \$10 excise tax.

b) Find the taxed equilibrium.

20 pts.

3) Hilliary and Donald produce two goods, TV shows and email. Here is a table that shows the time it takes each of them to produce a unit of each good.

	Hour Needed per unit		
	Hilliary	Donald	B
TV	20	5	
Email	10	20	

a) Who has the comparative advantage in the production of email. Show work.

b) Does he/she also have an absolute advantage in the production of email? Explain.

c) Can they both benefit from trade of one TV unit for one email unit? Show work?

20 pts.

4) Draw an indifference curve that depicts diminishing marginal utility for both goods. What is it about your curve that suggests this?

20 pts

5) Draw an indifference curve and budget lines for goods X and Y where 1) the period 1 choice is unaffordable in period 2 and 2) at the same time utility is higher in period 2.

20 pts

6) Draw a 2 frame diagram that shows the indifference curves in one frame and an uncompensated demand curve in the other, where the good is inferior but not Giffen.

20 pts.

7) a) If $Y = 100 + 10X - X^2$, find dY/dX .

b) If Y has a max or min, find it.

20 pts.

8) If $A \cdot Q = T$,

a) and $A = f(Q)$, say what dT/dQ equals.

b) and if A is not $f(Q)$, say what dT/dQ equals.

I have neither given nor received unfair aid on this test.
