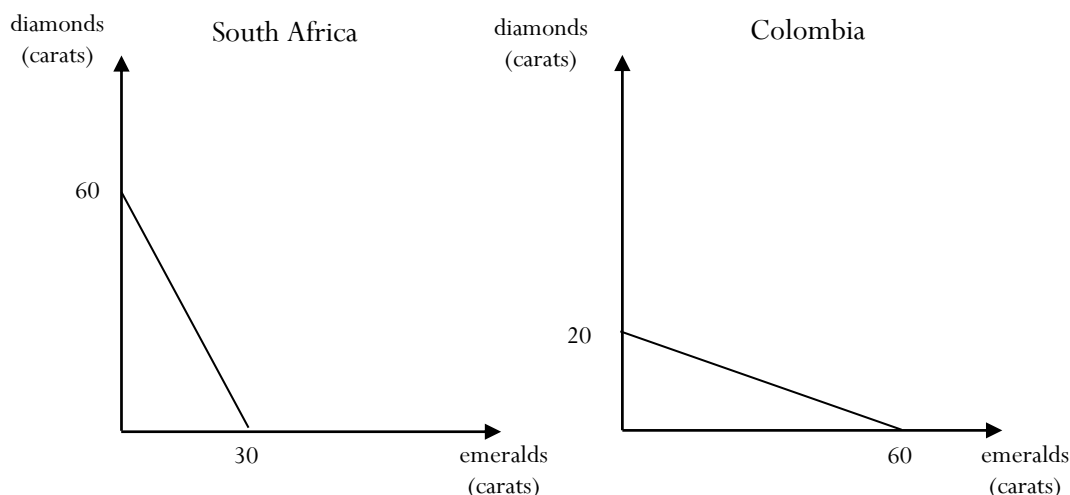


Instructions: Answer the following questions by choosing the correct answer, writing an answer in the space provided or on a separate sheet of paper.

1. What should you do if you miss one of the lectures?
 - a. Email the professor and ask him, “Did we do anything important in class?”
 - b. Get the lecture notes from another student who did attend class.
 - c. Ask a friend what was covered, and send the professor an explanation for why you missed class.
 - d. You should panic and drop the class immediately.
2. What was the point of the “spearing wheel” example from Walker, Ch. 1?
 - a. Evidence suggests that spears have saved more lives than they’ve taken.
 - b. Incentives matter, and we need to consider how people will respond to them.
 - c. Seatbelts do not really help if you’re wearing one when in a car accident.
 - d. The federal government has implemented a policy to allow car makers to use spears instead of seatbelts.
3. Which of the following was NOT one of Prof Walker’s suggestions for “how to study” in ECON 200?
 - a. Bring your laptop computer to class every day so you have something else to do if you get bored.
 - b. Attend every lecture.
 - c. Write detailed notes during the lecture.
 - d. After each lecture, re-write your notes, paying special attending to understanding the graphical models.
4. What would be the “cost” of having zero traffic fatalities?
 - a. \$25,000 per driver
 - b. Everyone would need to drive a tank.
 - c. We basically couldn’t drive cars at all.
 - d. Cars would need to fly, which is too expensive for most people to afford.
5. Search YouTube for a video on “world’s fastest workers.” Typical videos will show a variety of workers doing random tasks. In the lecture on specialization and productivity, which TWO of the following were ways in which marginal cost of production decreases through specialization?
 - a. taking less time to do a task
 - b. using cheaper materials to do a task
 - c. using the most expensive inputs for production
 - d. making fewer mistakes while doing a task
6. Briefly describe how “property rights” are treated in the three different economic systems discussed in Ch. 2: free market; socialism; communism.
7. Why is Rawls’ “veil of ignorance” thought experiment helpful in considering the appropriate role of government and individuals’ rights in a society?

For questions 8-11, consider the PPFs in the figure below.



8. Calculate the opportunity cost of each good in each country. Put your answer in the blanks below:

In South Africa, 1 D costs ____ E; and 1 E costs ____ D.

In Colombia, 1 D costs ____ E; and 1 E costs ____ D.

9. _____ has the *absolute advantage* in producing emeralds.
(country name)

10. _____ has the *comparative advantage* in producing emeralds.
(country name)

11. Using the information from #8 above, determine the range of prices at which both countries *could* benefit from trade. Solve it both ways:

Each *diamond* will trade for between _____ and _____ *emeralds*.

Each *emerald* will trade for between _____ and _____ *diamond*.

12. Could the two countries both potentially benefit with a “terms of trade” of 1 D per 2 E? YES or NO

13. Now draw the CPFs in both graphs above using a trade ratio of **1D per 1E**. Make sure you label quantities on the axes. Based on what you see in the model (with PPFs and CPFs), how do we know consumers in both countries will benefit from specialization and trade?

For questions 14-16, consider Graph 3A.1 (Walker, p. 69). You need to do some background work before answering these.

14. Which country will import coffee? _____ Who will import shoes? _____

15. Which country would reject a proposed trade ratio of “1 C for 3 S”? _____

16. _____ has the steeper PPF, so _____ has the comparative advantage in *y-axis* good.
(country name) (country name)