

ARE 201 Spring 2009 Sample Final Exam Answer Sheet

MULTIPLE CHOICE (2 points each)

1. c
2. d
3. c
4. c
5. c
6. c
7. a
8. c
9. b
10. b
11. b
12. b
13. c
14. a
15. a
16. c
17. a
18. b
19. b
20. d
21. b
22. c
23. b
24. b
25. c
26. c
27. b

TRUE/FALSE (2 points each)

1. F
2. F
3. F
4. F
5. T
6. T
7. F
8. F
9. T

SHORT ANSWER

APPLICATION/SCENARIO (6 points for No.1 and 11 points each for No.2 and No.3)

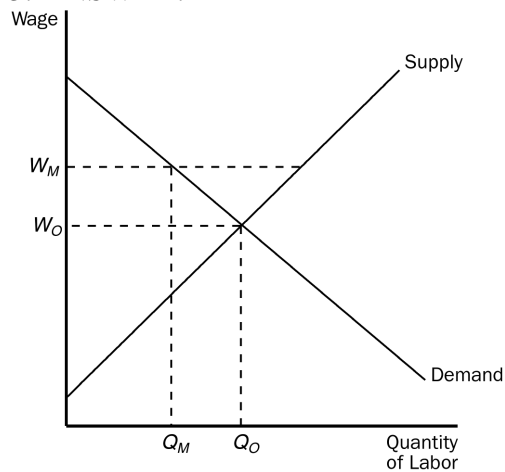
1. ANSWER:

		Rival?	
		Yes	No
Excludable?	Yes	Private Goods Ice-cream cones Clothing Congested toll roads	Natural Monopolies Fire protection Cable TV Uncongested toll roads
	No	Common Resources Fish in the ocean The environment Congested nontoll roads	Public Goods National defense Knowledge Uncongested nontoll roads

2. ANSWER:

- a. 40
- b. \$10.00
- c. \$80.00.
- d. 40
- e. \$5
- f. \$200
- g. It would fall from \$80 to only \$20.
- h. It would fall from \$120 to only \$30.
- i. At quantities less than the equilibrium quantity, the value to buyers exceeds the cost to sellers. Increasing the quantity in this region raises total surplus until equilibrium quantity is reached. At quantities greater than the equilibrium quantity, the cost to sellers exceeds the value to buyers and total surplus falls.

3. ANSWER:



Before imposing a minimum wage, the quantity of labor demanded would be Q_0 . After a minimum wage is imposed about W_m , the quantity of labor demanded would be at Q_m ,

which is less than Q_0 . Fewer workers would be demanded and those workers from Q_m to Q_0 would be unemployed.