

Matching are valued at one point each

G	1.	Profit	A) Replacement
D	2.	Demand	B) Net value to sellers
H	3.	Price	C) No tendency to change
F	4.	Consumer surplus	D) Lowest opportunity cost for buyers
L	5.	Market	E) Change or edge
B	6.	Producer surplus	F) Area below demand and above price
K	7.	Utility	G) Attracts resources
A	8.	Substitute	H) Measure of scarcity/relative value
I	9.	Complement	I) Consumed with another product
M	10.	Property rights	J) Referee for markets rather than participants
O	11.	Supply	K) Value to an individual
J	12.	Government	L) Where exchange is arranged
E	13.	Marginal	M) Necessary for free markets
N	14.	Economics	N) Study of decision making
C	15.	Equilibrium	O) Sellers schedule of prices and quantities

Short answers are worth five points each

16. Given the following values, list the opportunity cost for each option (a, b, c, or d):

a) benefits = 20, cost = 15 **c (25)**

b) benefits = 10, cost = 10 **c (25)**

c) benefits = 50, cost = 25 **a (5)**

d) benefits = 40, cost = 45 **c (25)**

17. Complete the following sentence. Price tends to be held down in a free market because of **competition**.

18. Given that a person has three choices, going to the movies, going to a Tigers' game or going to a restaurant for dinner, what are their opportunity cost of going to the Tigers' game, if they value the Tigers' game at \$100 and the other two choices at \$40?

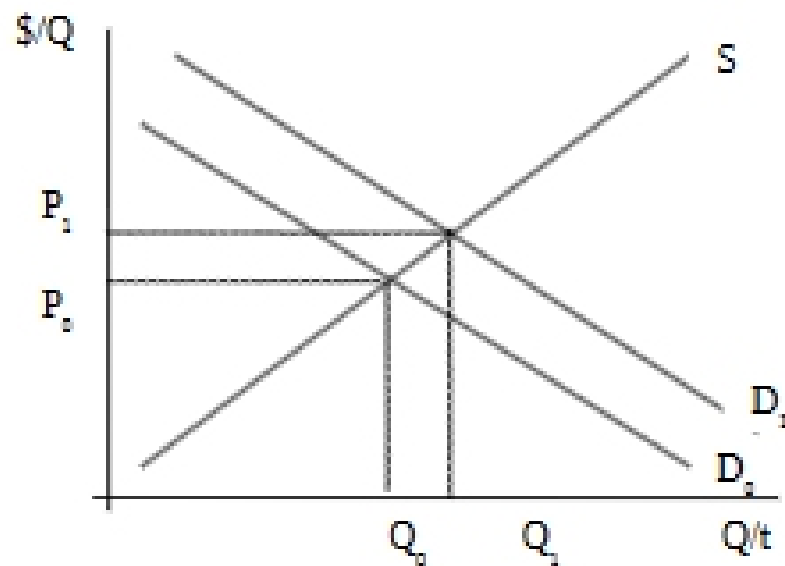
\$40

19. What happens to demand in the following situations? (↑ ↓ or ↔)

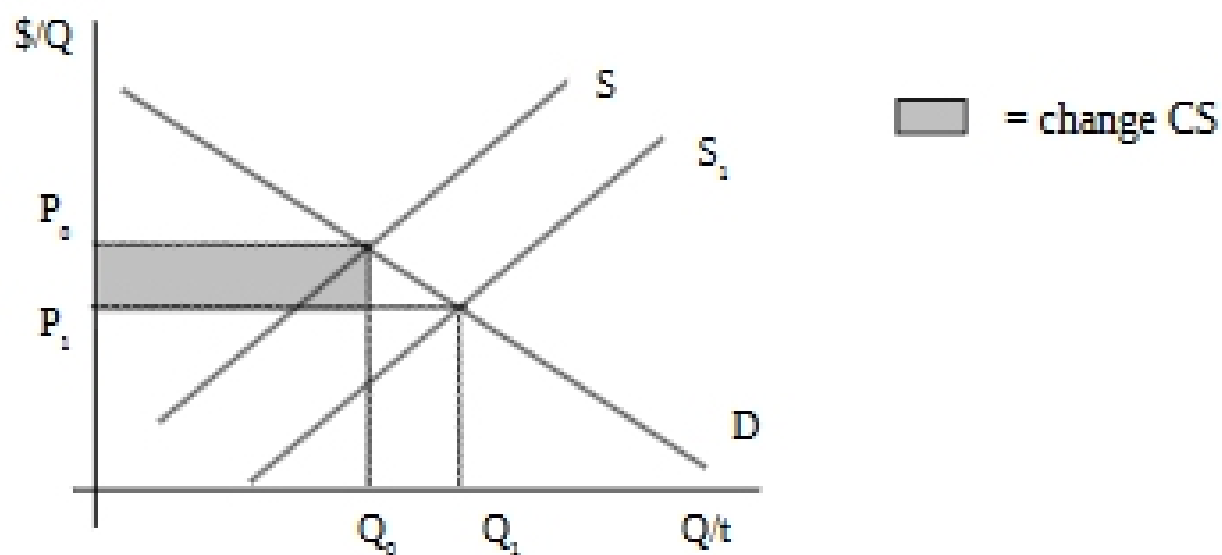
- a) Price of complement rises ____↓____
- b) Own price of good increases ____↔____
- c) Wealth increases ____↑____
- d) Utility increases ____↑____
- e) Input costs decline ____↔____

20. Complete this sentence. There is no “free lunch” because of opportunity cost

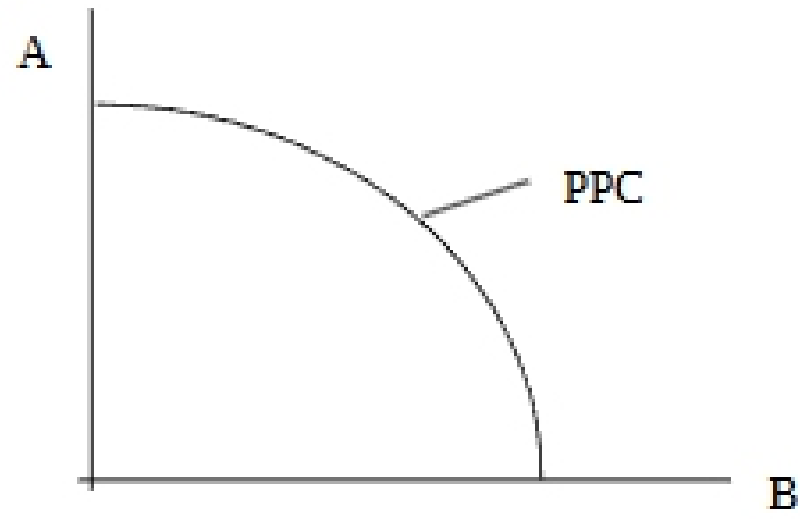
21. Diagram the result from an increase in the price of bottled water in the market for soda.



22. Demonstrate the change in the market for houses if the price of lumber decreases. Show the change to consumer surplus.



23. Draw a production possibility curve so that there are increasing marginal opportunity costs to produce more of one of the goods.



24. Show on a graph consumers' response from an increase in the price of prescription drugs.

