

Name &amp; SID:

Date:

---

You have 10 minutes to answer the following questions. Please show all your work **and** circle your final answers. **NO CALCULATORS.**

1. State why the following statements are misguided: *A new technology raises the marginal product of labor. Assume the technology raises the MPL but does not directly affect the firm's marginal costs (MC).*
2. When is your final paper due for the adjunct?
3. Draw a market graph with a positive externality. Shade in the DWL if there was no government intervention.
4. Draw a market graph with a negative externality. Shade in the DWL if there was no government intervention.
5. Define a public good.
6. Define a private good.

Name &amp; SID:

Date:

7. Show the feedback cycle between the output and labor markets due to an **increase in market output demand**. No graphs are necessary, but they might help with the answer.
  
8. Why is the market demand for labor downward sloping?
  
9. Why is the firm's supply for labor flat? Assume perfectly competitive markets.
  
10. Define the firm's demand for labor as an equation. Assume perfectly competitive markets.
  
11. Define the firm's demand for labor as an equation. Assume a monopolistic market.
  
12. Will an optimal amount of public goods be produced if the median WTP = average WTP?  
Assume a ballot proposition that taxes everyone in the state.
  
13. Will an optimal amount of public goods be produced if the median WTP < average WTP?  
Assume a ballot proposition that taxes everyone in the state.
  
14. Will an optimal amount of public goods be produced if the median WTP > average WTP?  
Assume a ballot proposition that taxes everyone in the state.
  
15. True, false, or uncertain, and **explain** with a graph. *The socially-optimal amount of pollution is zero pollution.*

Name &amp; SID:

Date:

16. True, false, or uncertain, and **explain** with a graph. *Monopolistically competitive firms always make zero profits.*
17. Why is the demand curve for a monopolistically competitive firm downward sloping?
18. What happens to the equilibrium price of William's *Kung-Pao Chicken* when he discovers a new technique that makes his dish more heterogeneous? Assume Stage 1 monopolistic competition. Ignore Stage 2 effects.
19. What happens to the equilibrium price of William's *Kung-Pao Chicken* when people find out that his dish is more homogeneous than originally thought? Assume Stage 1 monopolistic competition. Ignore Stage 2 effects.
20. Define *dominant strategy*. Do players always have a dominant strategy?