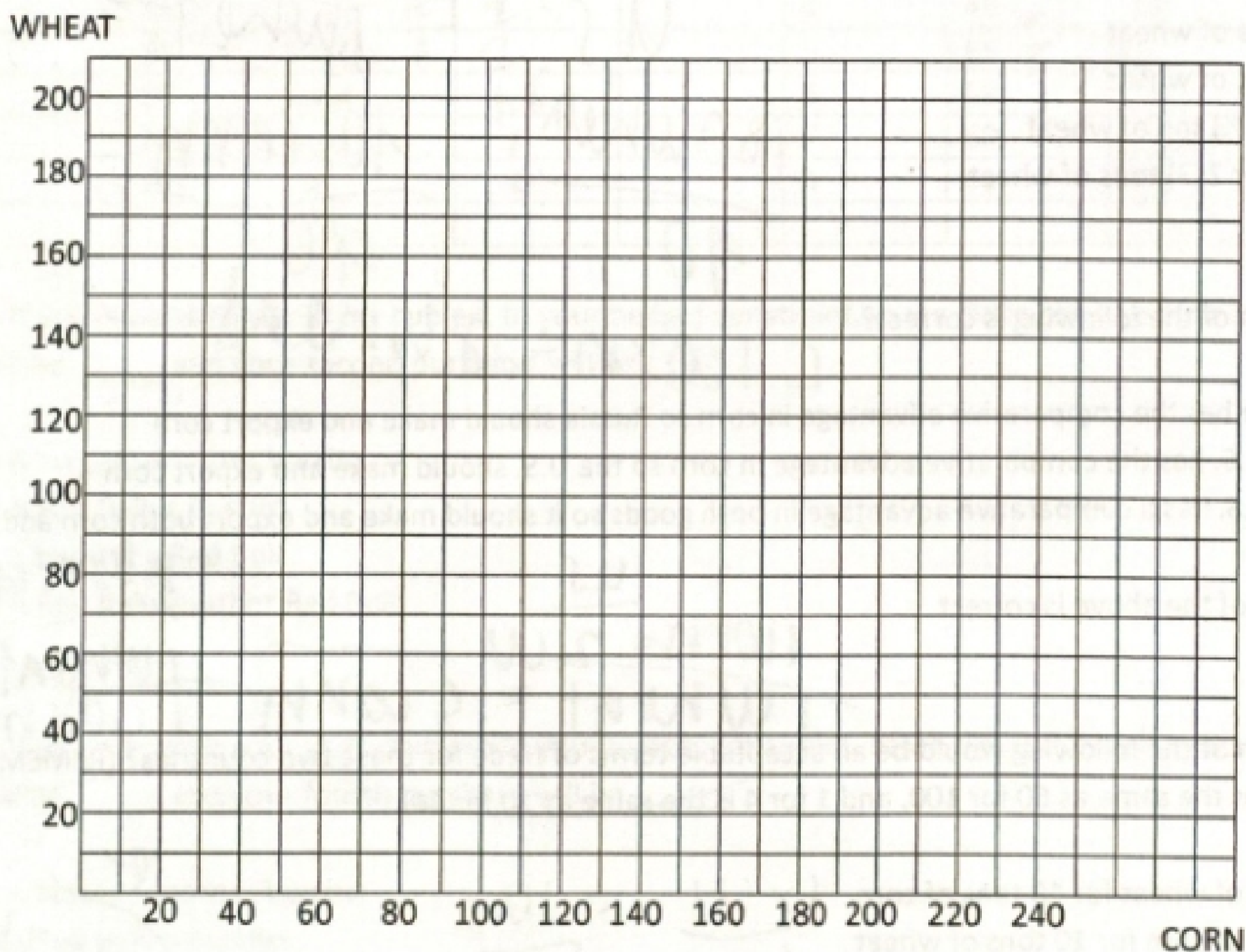


ECON 142  
 EXAM 3  
 DR. STAIHR  
 OCTOBER 25, 2012

Cassie Stephen Gardner  
 PUMMER Friday  
 2PM

30 Multiple Choice Questions. Circle the letter next to the correct answer or most appropriate response.

Use this graph any way you like to answer the first 5 questions.



-3  
 $\frac{108}{120}$   
 excellent!

In the course of a year Russia can produce 210 tons of wheat or 140 tons of corn, or some of both. In the course of a year the U.S. can produce 180 tons of wheat or 90 tons of corn, or some of both.

1. What is the opportunity cost of producing 1 ton of wheat in Russia?

- a. .5 (or  $\frac{1}{2}$ ) tons of corn
- b. .67 (or  $\frac{2}{3}$ ) tons of corn
- c. 1.5 (or  $\frac{3}{2}$ ) tons of corn
- d. 2 tons of corn

RUSSIA

210 wheat	140 corn
210	210
1 wheat = .66	

2. What is the opportunity cost of producing 1 ton of wheat in the U.S.?

- a. .5 (or 1/2) tons of corn
- b. .67 (or 2/3) tons of corn
- c. 1.5 (or 3/2) tons of corn
- d. 2 tons of corn

US

180 wheat	90 corn
180	180

3. What is the opportunity cost of producing 1 ton of corn in the U.S.?

- a. 4 tons of wheat
- b. 2 tons of wheat
- c. .5 (or 1/2) ton of wheat
- d. .67 (or 2/3) tons of wheat

US :  $1 \text{ wheat} = .5$

180 wheat	90 corn
90	90

$1 \text{ corn} = 2 \text{ wheat}$

4. Which of the following is correct?

- a. Russia has the comparative advantage in corn so Russia should make and export corn
- ~~b. The U.S. has the comparative advantage in corn so the U.S. should make and export corn~~
- ~~c. The U.S. has a comparative advantage in both goods so it should make and export both corn and wheat~~
- ~~d. None of the above is correct~~

<p>US</p> <p><math>1 \text{ corn} = 2W</math></p> <p><math>1 \text{ wheat} = .5 \text{ corn}</math></p>	<p>Russia</p> <p><math>1 \text{ wheat} = .67 \text{ corn}</math></p> <p><math>1 \text{ corn} = 1.5 W</math></p>
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5. Which of the following would be an acceptable terms of trade for these two countries? (REMEMBER: 6 for 10 is the same as 60 for 100, and 1 for 4 is the same as 10 for 40).

- a. 6 tons of wheat for 10 tons of corn
- b. 6 tons of corn for 10 tons of wheat
- ~~c. 2 tons of corn for 8 tons of wheat~~
- ~~d. 1 ton of wheat for 4 tons of corn~~

$2 \text{ corn} = 8W$

$1W = \frac{1}{4}C$

$6W = 10C$

$1C = .6W$

$210W = 140C$

$140C = 210W$

$1C = 1.5W$

6. Which of the following is correct?

- a. If marginal utility is positive, total utility must be increasing
- ~~b. If marginal utility is diminishing, total utility must be decreasing~~
- ~~c. If marginal utility is zero, total utility must be zero~~
- d. Actually, all three of the statements above are correct

$1W = 4C$

$1C = .25W$

6 corn	10 wheat
10	10

$1 \text{ wheat} = .6$

Fill in the table below in order to answer the next 4 questions. You only need to complete as much of the table as you need to in order to answer the questions. The table itself is not being graded.:

There are only 2 goods in the world, Chipotle Burritos and Red Bull. The price of a Chipotle burrito is \$6 and the price of Red Bull is \$3. You, as a consumer, have exactly \$45 to spend in your budget.

BURRITOS				RED BULL			
Quantity	TU	MU	MU/P	Quantity	TU	MU	MU/P
1	24	24	4	1	15	15	5
2	44	20	3.33	2	29	14	4.07
3	62	18	3	3	40	11	3.67
4	77	15	2.5	4	49	9	3
5	89	12	2	5	55	6	2
6	98	9	1.5	6	58	3	1
7	104	6	1	7	60	2	.67
8	107	3	.5	8	61	1	.33

7. If you maximize your utility subject to your budget constraint, as we did in class, your first purchase will be \_\_\_\_\_ and your second purchase will be \_\_\_\_\_.

- a. A burrito; another burrito
- b. A Red Bull; a burrito
- c. A burrito; a Red Bull
- d. A Red Bull; another Red Bull

8. If you maximize your utility subject to your budget constraint, as we did in class, your third purchase will be \_\_\_\_\_ and your fourth purchase will be \_\_\_\_\_.

- a. A burrito; another burrito
- b. A Red Bull; a burrito
- c. A burrito; a Red Bull
- d. A Red Bull; another Red Bull

9. The combination that will ultimately your utility subject to your budget constraint, as we did in lecture, is...

- a. 5 burritos and 5 Red Bull
- b. 2 burritos and 8 Red Bull
- c. 5 Red Bull and 3 burritos
- d. 6 Red Bull and 4 burritos

RB, RB, B, RB, B, RB, B, B, RB, B  
 3 3 6 3 6 3 6 3 6  
 15 14 9 11 9 6 5 0