Name: ____

Foundations of Public Policy
PADP6950B
Scott

MIDTERM #1

Instructions:

This exam form is a google docs file that you can view, but not edit. After opening the file, select File > Make A Copy from the menu options. Add your first initial and last name to the name of your new file (and remove the "Copy of" prefix). Click "OK". Now, you have your own version of the exam on which you can place your answers. It should have a title like "PADP6950B_Midterm1_Fall2016_TScott".

- Please type your name at the top of each sheet in the Name _____ header.

- The exam is "closed book," meaning that you cannot use external resources including notes, course materials, the textbook, or the Internet.

- Please provide short answers, in complete sentences, to the following questions. There are six questions. Each question is worth 5 points.

- You will have the entire class period to complete this exam.

- If you have questions, please raise your hand and wait for the instructor to come to you at your seat. Ask the instructor for clarification at that time.

- Under no circumstances may to speak to others around you during the exam.

- When you finish your exam, select File > Download As > PDF Document (.pdf). Upload the resulting pdf file (again, make sure it is named correctly) to the course dropbox on the @eLC page.

By signing (in this case, typing your name) below you acknowledge that you understand these instructions and that you will complete this exam accordingly to the University of Georgia's policies on academic honesty.

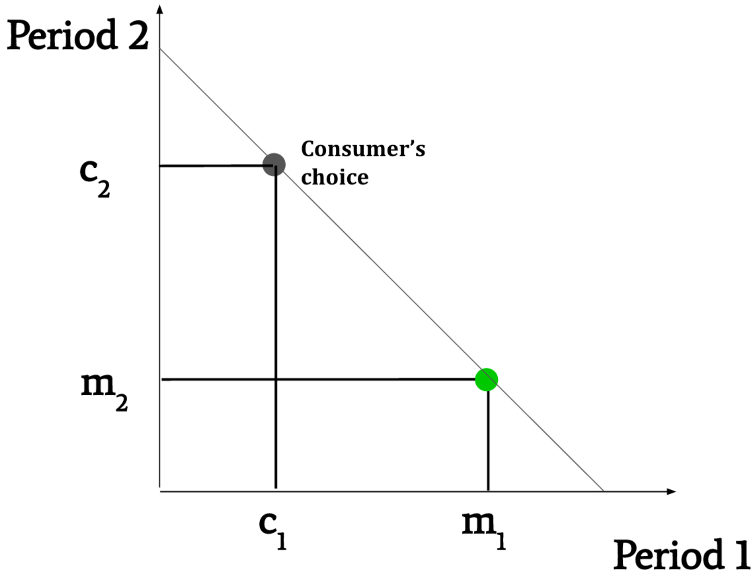
Signature: ________________________________

Name: ____

1. **Herbert consistently has the same grocery lists with one of the items being canned tuna. Due to a recent change in state tax law, Herbert's monthly payroll taxes have dropped sharply. The price of canned tuna has remained constant, but Herbert now purchases fresh tuna (which is more expensive) instead. Why would Herbert change his shopping habits, and what does this tell us about how Herbert views canned tuna?**

Name: ____

2. **The figure below shows a consumer's intertemporal choice across two periods; assume that all money must be spent within the two periods. If m_n is the consumer's income in period n, and c_n is the consumer's consumption in period n, is the consumer a borrower or a saver in period 1? How can you tell? How would the consumer's choice be expected to change if the interest rate increased?**

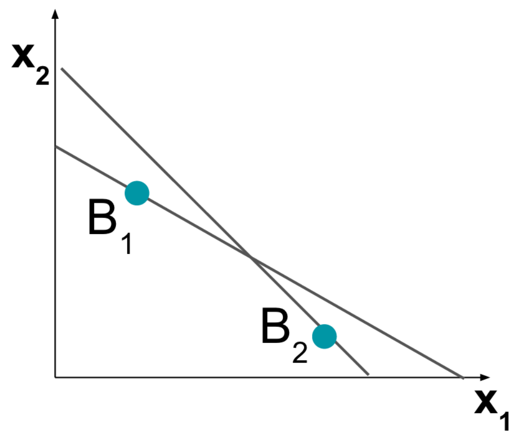


Name: ____

3. **What is the difference between an ordinary demand curve and a supply curve? Why does a demand curve typically slope down, while a supply curve typically slopes upward?**

Name: ____

4. **Gilbert is a consumer choosing between bundles that contain some combination of goods X_1 and X_2. At first, Gilbert was consuming bundle B_1. However, market changes caused the price of good X_1 to increase and the price of good X_2 to decrease. In response to these market changes, Gilbert chooses to consume bundle B_2. Are Gilbert's preferences consistent? Why or why not?**



Name: ____

5. **5. In a situation where a consumer selects a two-item bundle consisting of normal good X and normal good Y, where X and Y are perfect substitutes but Y is more expensive than X, explain the consumption bundle she will choose and why she will choose it.**

Name: ____

6. **The graph below shows a supply curve, where a company is selling quantity Q_0 of a good at price p_0. What is the producer's total revenue? What are the production costs? What is the producer surplus? Why are production costs not equal to 0 when quantity produced equals 0?**