

ECO 150, Winter 2022, Exam #2

Name:

Instructions:

1. This exam consists of thirteen questions and a bonus. Answer them all. You are encouraged to use the models from class when formulating your answers.
2. Some questions are open ended. You will be graded more on the quality of your explanation than your specific answers. On “true/false” questions, for example, answering only “true” or “false” will receive no credit, even if correct.
3. Do not just copy from the course materials. Doing so will receive no credit.
4. This is an open note exam. You may use your notes, the textbook, and all course materials from the website. You may use electronic versions of these materials as well. You may not, however, use other materials, access the internet for any reason besides obtaining the allowed materials, or solicit help from any other person while taking this exam.

Please sign the following statement:

In completing this exam, I did not access any online resources besides the approved course materials, the textbook, and my own notes, nor did I communicate with any other student or person about this exam. I understand that doing so would be a violation of the Student Conduct Policy.

Sign:

Printed Name:

1. Why is the depreciation of the Russian ruble likely to reduce the performance of the Russian economy?

2. Explain how freezing the Russian Central Bank's foreign reserves could impact the Russian economy.

For questions #3-6, consider the following data:

Table 1: Market for Concerts

Units	Marginal Utility	Marginal Cost
1	\$30	\$1
2	\$27	\$4
3	\$24	\$5
4	\$18	\$7
5	\$12	\$8
6	\$9	\$9
7	\$6	\$11
8	\$3	\$13
9	\$2	\$16
10	\$1	\$20

3. Assume perfect competition. Solve for the equilibrium price and quantity.

4. Suppose that the price of musical instruments increases. What will happen to the equilibrium price and quantity under perfect competition?

5. Now suppose that the supplier is a monopolist. Solve for the monopolist's price and quantity.

6. Calculate deadweight loss from the existence of a monopoly. Explain why a monopolist generally reduces efficiency.

7. Why might the makers of novel pharmaceuticals be able to make significant economic profits on their products.

8. Consider the example, discussed in class, of lawsuit to prevent the merger of Penguin and Simon & Schuster. Explain how scarcity applies to this example.

9. What risk does the Federal Reserve take if it raises interest rates too rapidly?

10. What are some possible reasons for why U.S. inflation has reached its highest level in decades?

For questions #11-12, consider the following data:

Melmack has 50 hours of labor. It takes 5 hours to produce a movie and 2 hours to produce a milkshake.

Gulla has 100 hours of labor. It takes 10 hours to produce a movie and 10 hours to produce a milkshake.

11. Which country has a comparative advantage in which good? Does either country have an absolute advantage?

12. Design a trade that would benefit each country.

Two firms, A and B, are competing in a one-time game. They can each charge a price of \$1 or a price of \$2. The following payoff matrix shows their profits if they choose each price

Table 2: Payoffs for (A, B)

	B chooses \$1	B Chooses \$2
A Chooses \$1	(10,20)	(5, 30)
A Chooses \$2	(20, 10)	(0,25)

13. What prices would you expect each firm to choose? Explain.

Bonus: True or False? The formation of a monopoly (or monopsony) always increases deadweight loss. If false, provide an example.