

Intro 100 at BMCC – Make-Up Exam

Directions: You must complete all parts of this exam. Read each question carefully and think your way through each question. Don't lose points due to carelessness. **Points will be deducted for irrelevant information and/or if your answer is incomprehensible.**

Failure to comply with the Rules on Group Work will result in failure on the exam.

Part I – 20 points

1. (10 points) **Explain** the concepts of opportunity cost and relative price.
2. (10 points) **Explain** the concept of diminishing marginal returns to labor. (**Hint:** I frequently refer to this in class as the “too many cooks in the kitchen” problem).

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Part II – 15 points – Suppose that the country of Makabrychnostan produces two goods – food and clothes – and that labor is the only input into the production of those two goods. Suppose further that the production of both goods is subject to diminishing marginal returns to labor.

3. (15 points) **Explain** why – under the assumptions above – Makabrychnostan's production possibilities frontier would exhibit increasing opportunity cost.

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Part III – 35 points – Suppose that the country of Tierradenada also produces food and clothes. Once again assume that labor is the only input into the production of each and that production is subject to diminishing marginal returns to labor.

Suppose further that – in autarky – Tierradenada would have a lower opportunity cost of producing food than Makabrychnostan. Such an assumption also implies that – in autarky – Makabrychnostan would have a lower opportunity cost of producing clothes than Tierradenada.

4. (5 points) What is autarky? **Explain.**
5. (15 points) **Explain** why Tierradenada and Makabrychnostan should produce at the point along their production possibilities frontiers where their opportunity cost of producing food is equal to the relative price of food.
6. (15 points) **Explain** why Makabrychnostan should export some of the clothes that it produces to Tierradenada in exchange for food. **Explain** why Tierradenada should export some of the food that it produces to Makabrychnostan in exchange for clothes.

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Part IV – 30 points – Suppose that Tierradenada and Makabrychnostan were autarkic states until the year 2005. Then in 2005, they began trading with each other.

7. (15 points) **Explain** why the equilibrium quantity of labor supplied and demanded in Tierradenada's food sector rose after Tierradenada began trading with Makabrychnostan.
8. (15 points) **Explain** why the equilibrium quantity of labor supplied and demanded in Tierradenada's clothes sector fell after Tierradenada began trading with Makabrychnostan.

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This exam is due in class on 30 Nov./01 Dec.

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Rules on Group Work

I strongly encourage you to work with your classmates on every assignment that I give you. You learn more when a classmate criticizes your solution to a problem and forces you to find a new method of solution.

“Working with” however does not mean “copy from.”

You learn nothing by copying a classmate's answer.

Obviously, there will be many occasions when you and a classmate agree on an answer, but the thought process by which you both arrived at the same answer will differ.

Therefore, please work together on every assignment that I give you, but do not submit identical answers. The answers that you submit may be similar, but the thought process embodied in your answers must differ.

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Email at your Own Risk

Any take-home assignment (such as a make-up exam) should be submitted to me during regular class hours. If you cannot attend class that day, ask a friend to submit it for you.

I will also accept assignments submitted to me by email or left in my box at the Social Science Department Office.

Keep in mind however that email does not always work perfectly. There is a low (but not insignificant) probability that the email will not be delivered to me. There is also a low (but not insignificant) probability that an assignment left in my box will disappear.

I will not be held accountable for vanishing emails. Nor will I be held accountable for assignments devoured by the mailbox gremlin. You assume ALL of the risk associated with email and/or mailbox submissions. If I don't receive it, it's your problem, not mine.