I. Multiple Choice Questions
(For each of the following questions, choose the best answer and explain clearly why you chose that answer over the other choices)

1. An increase in the size of the labor force will most likely cause
   a) the production possibility frontier to shift in.
   b) the production possibility frontier to shift out.
   c) the economy to move closer to its production possibility frontier.
   d) the economy to move along the production possibility frontier.

2. A \textbf{rightward} movement along the demand curve for ice cream might be caused by
   a) a decrease in the price of the milk used to make ice cream.
   b) an increase in average household income.
   c) an increase in the temperatures causing people to desire more ice cream.
   d) none of the above

3. The price of skis (a normal good) will definitely increase if
   a) the price of ski boots increases and wages at ski-making factories increase
   b) the cost of the material used to produce skis increases and average incomes increase
   c) the price of lift-tickets decreases and there is an improvement in the technology for making skis
   d) people have more leisure time to go skiing and the cost of the material used to produce skis decreases

4. In a free market, 2000 patients each purchase an operation to receive an artificial heart at a price of $500,000 per operation. Without the artificial heart, each patient would die. The government decides that this price is too high and imposes a maximum price of $200,000. All else equal
   a) fewer patients will now die
   b) more patients will now die
   c) more patients will now die only if the demand curve is vertical
   d) more patients will now die only if the demand curve is horizontal

5. Suppose that Collis increases the price of fruit smoothies, and discovers that total revenues are unchanged. We could conclude that the demand for fruit smoothies was
   a) relatively elastic
   b) unit elastic
   c) relatively inelastic
   d) perfectly inelastic

6. Suppose that you represent a congressional district that is major producer of strawberries, and you want to increase demand for strawberries by as much as possible. If strawberries and ice cream are complements, and if strawberries and apples are substitutes, which of the following legislative proposals should you support?
   a) a ban on the use of the bovine growth hormone that increases milk production
   b) a ban on the use of chemicals that allow apples to keep longer after picking
   c) a ban on the use of low-wage migrant workers to harvest strawberries
   d) all of the above
II. Short Answer Questions

For these questions, use a supply and demand diagram to illustrate the effect of each of the following on the market for Wisconsin-made cheese. Assume that this market is currently in equilibrium. Clearly state whether the new equilibrium price and quantity are higher, lower or indeterminate compared to the original equilibrium. Briefly explain your answer and state any assumptions you make.

1. Quirky advertisements extolling the "Power of Cheese" appear on television and in magazines.
2. The use of bovine growth hormone (BGH) increases the milk production of cows in Wisconsin.
3. Vermont farmers' refusal to use BGH increases the price of Vermont-made cheese.
4. Demand for yogurt soars after characters on Ally McBeal are portrayed hanging out at a yogurt bar.
5. A wheat shortage drives up the price of crackers.
6. There's a quirky ad campaign AND demand for yogurt soars (i.e. 1 and 4 above).
7. Wisconsin milk production increases AND the price of Vermont cheese rises (i.e. 2 and 3 above).

III. In-Depth Problem

Suppose that the demand for faculty and staff parking spaces at Dartmouth is as shown below.

![Parking Demand Diagram]

a) Suppose that at a price of $10 per month, the market is in equilibrium, given the fixed number of parking spaces. What is this fixed number of spaces? Draw in the supply curve that reflects this fixed number of spaces. Briefly explain your answer.

b) Suppose that due to the construction of the new Psychology building and the Berry library, there are 100 fewer parking spaces than before. Draw in the new supply curve. Briefly explain why even though you've paid $10 for a parking sticker, you have to arrive early to get a parking space.

c) Briefly explain what Dartmouth would need to do to ensure that everyone who buys a parking sticker can get a parking spot. You should assume that adding more spaces is impossible.