

Midterm for ECON 385

Instructions: This exam is open book; however, you must provide a citation for any sources used outside of the textbook and the articles listed. Also, you must answer these five questions on your own without the help of your classmates. The words and the graphs should be your own-avoid direct quotes and paraphrase any sources used instead. Each one of the five questions will be worth 20 points and the exam is 2 pages long. **Due Date: 11:59pm on Sunday, July 3rd.**

1. Suppose the U.S. government passes a law that mandates that gasoline will now cost \$10.00 a gallon. Consider the following questions:
 - a. What does the supply and demand model predict will happen in the market? Show graphically.
 - b. What will happen to consumer and producer surplus? Show graphically.
 - c. Assuming the current market for gasoline is competitive, will this create a market failure or a market distortion? Be sure to define each term.
 - d. What type of equity concern might motivate this type of policy? Be sure to provide a brief explanation and definition of the term you use.

2. What happened in the gasoline market in 2012? Read article #1 and use a supply and demand model to explain the economic theory behind statements made in the popular press about what happened in 2012 and what was predicted to happen in 2013. Be sure to thoroughly explain how the claims mentioned in the article translate to the graphs. You may need to draw a separate supply and demand model for each claim (you must explore at least three claims with two about 2012 and one about 2013). Express your thoughts in complete sentences and be sure to state and define at least two economic concepts that are relevant to your answer.

3. Read article #2 on immigration policy in the United States.
 - a. Use a production possibility frontier model for the US economy using corn and tractors as the two goods for the graph. Illustrate the impact of this policy, assuming that immigrant workers have a similar impact on corn and tractor production.
 - b. Does the model match the prediction made by the Cato Institute study that is mentioned in the article? Explain.
 - c. What happened to the growth rate of GDP in the United States from 2018 and 2019? Be sure to cite your source for this comparison.

4. Read the article #3 on trade between the US, Mexico, and Canada.
 - a. Consider one of the markets from the article. Draw a production possibility frontier for each of the two countries highlighted and label the point of specialization on the curve (point A) for each country. One good will be the final good (bacon, blue jeans, or beer) and the other good should be an input (feeder pig, cotton, or hops). Use the goods discussed in the article for your graph.
 - b. Summarize the reason why specialization has occurred.
 - c. Label a point (point B) that illustrates gains from trade for each country.
 - d. Using the same two countries you picked for (a), find information about the overall trade balance between the US and Mexico OR the US and Canada (total flow of exports and imports). Be sure to cite your source for this information.

5. Which government agency is in charge of calculating GDP for the United States? What was the GDP calculation for 2020 and what was the totals for each component of national income: consumption, investment, government spending, and net exports? (You will need to find the outside source for this answer and provide a citation).

Articles:

#1: Hargreaves, Steve. "Gas prices hit highest average ever in 2012." money.cnn.com. 31 December 2012. [Link](#).

#2: Nakamura, David. "Study: White House Plan Slashes Legal Immigration Rates by 44 Percent -- 22 Million Fewer Immigrants over a Half-Century." Washingtonpost.com 29 Jan. 2018: n. pag. Print.Mason Library [link](#)

#3: Swanson, Ana. "These 3 Everyday Products Show Who Won and Lost From NAFTA" Published: NYtimes.com January 23, 2018 Mason Library [link](#)