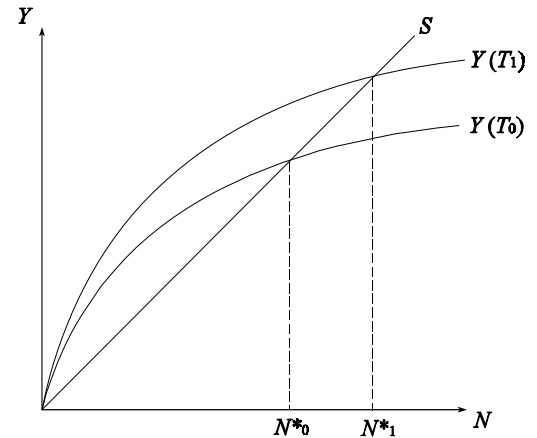


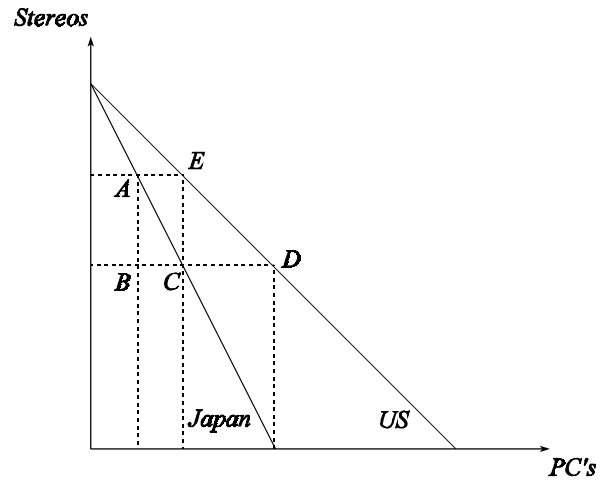
## ZAM 1

Grades are posted by the last 4 digits you place in ID number bubbles. If you don't want your grade posted, leave it blank.

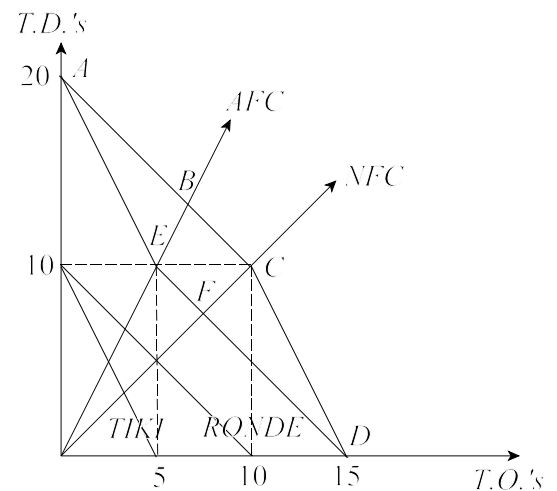
- What describes a *Malthusian* steady-state in the graph? ( $Y$ =output,  $S$ =subsistence,  $N$ =labor,  $T$ =technology)
  - birth rate > death rate for  $S > Y$ ; death rate > birth rate for  $S < Y$
  - birth rate > death rate for  $Y > S$ ; death rate > birth rate for  $Y < S$
  - birth rate = death rate when  $Y$  increases at same rate as  $S$
  - $N$  is constant when  $Y$  increases at the same rate as  $S$
  - when  $S$  becomes subject to diminishing marginal returns
- What shows diminishing marginal returns to labor?
  - successively smaller upward shifts in production function
  - downward shifts in the production function at some limit
  - decreasingly positive slope of subsistence function
  - decreasingly positive slope of production function
  - increasingly positive slope of production function
- According to anti-Malthusians, how do we avoid a steady state?
  - go to church regularly and morally abstain from sex
  - move along production function with more labor
  - quit crying and use birth control pills and fertilizer
  - shift the production function down with more technology
  - war, death, and pestilence
- According to *neo-Malthusians*, beyond some point, what would show technology effects in the graph?
  - negative slope of the production function
  - downward shifts in the production function from more labor
  - decreasingly positive slope of the production function
  - downward shifts in the subsistence function
  - increasingly smaller shifts in the production function from more technology
- What are the implications of economic determinism?
  - the enlightenment and protestant reformation are two sides of the same coin (*humanism*) that caused capitalism
  - the protestant reformation caused capitalism
  - the war in Iraq is all about money
  - political revolutions allowed the ultimate rise of capitalism
  - Lenin's brand of Communism was better suited for the former Soviet Union
- What are the implications of the theory of relative deprivation?
  - political time moves more slowly than economic time
  - any new Iraqi government will be politically unstable
  - revolution usually occurs under extreme poverty conditions
  - Lenin was right and Marx was wrong
  - political matters dominate economic matters in both space and time
- What is the difference between Leninist and Marxian socialist revolutions?
  - Lenin followed the laws of history (Darwinian *zeit geist*) while Marx sought to change them
  - Marx socialism applies to 19<sup>th</sup> capitalism, while Lenin socialism applies to 20<sup>th</sup> century feudalism
  - Marx was socialism from above and Lenin was socialism from below
  - Marxian revolution is political, and Lenin is purely economic (economic determinism)
  - Marx thought you could skip the step of capitalism
- What's wrong with using a lottery to finance a sports stadium?
  - both the lottery and game attendance are regressive
  - the guys that benefit are not the same guys that pay
  - both the lottery and game attendance are progressive
  - nobody has to buy a lottery ticket and anybody can go to a game
  - the lottery is progressive and game attendance is regressive



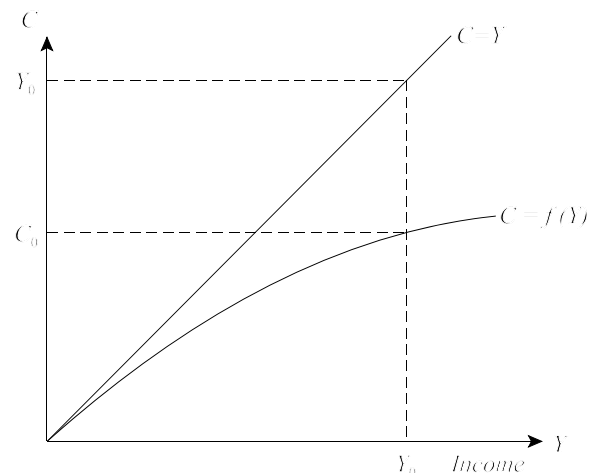
9. Japan has a production set  $AC$  and the US has  $ED$ . US is at  $D$  but wants to move to  $E$ , Japan is at  $C$ . How can the US capture all gains from a possible trade?
- trade  $CD$  for  $AB$
  - trade  $BD$  for  $AB$
  - trade  $BC$  for  $AB$
  - trade  $EC$  for  $AB$
  - trade  $CD$  for  $BC$
10. If the US captures all possible gains, where would Japan end up?
- $A$
  - $B$
  - $C$
  - beyond  $C$
  - $E$
11. If the US captures all possible gains, where would the US end up?
- $A$
  - beyond  $E$
  - $C$
  - $D$
  - $E$
12. If Japan captures all possible gains where would US end up?
- $A$
  - $B$
  - $C$
  - $D$
  - $E$



13. The graph shows the team production of two NFL players  $TIKI$  and  $RONDE$ .  $TD$ 's are the product of offense, and  $TO$ 's are the product of defense. What is true *a priori* about the graph?
- $C$  will defeat  $B$
  - $B$  will defeat  $F$
  - $F$  will defeat  $B$
  - $C$  will defeat  $E$
  - $D$  will defeat  $A$
14. If the Superbowl is the game between the most efficiently coached  $AFC$  and  $NFC$  teams, and superior defense has won 10 of the last 12 Superbowl, empirical evidence suggests you should bet on:
- $A$
  - $B$
  - $C$
  - $D$
  - $E$
15. What theory can help explain the empirical evidence in #13?
- "offense never sleeps" (defense has more risk)
  - offensive and defensive are low risk at this level
  - offensive production has less variance
  - defensive production has less variance
  - defensive production has more variance



16. What is true about savings in the consumption function graph?
- savings is the vertical distance between  $C=Y$  and  $C=f(Y)$
  - savings is the vertical distance below  $C=f(Y)$
  - savings is the area above (and to the left of)  $C=Y$
  - savings is regressive with respect to income
  - savings is not even shown in the graph



17. What policy conclusion follows from the graph?
- progressive taxes increase savings
  - regressive taxes increase consumption
  - a proportional consumption tax is really progressive
  - a consumption tax is a flat (proportional) tax
  - supply-siders prefer sales taxes over income taxes
18. What are the implications of comparative advantage and diminishing marginal returns at the same time?
- specialization and trade are zero sum games
  - positive sum gains from specialization and trade have limits
  - opportunity costs are decreasing along the production possibilities frontier
  - there are positive sum gains going into the corners of the production possibilities curve
  - opportunity costs are constant along the production possibilities frontier

19. The US is shown in the graph. According to *Republicans* what shows the “trickle down” part of supply side economics?

- a.  $C_0$  to  $C_2$  to  $C_1$
- b.  $C_2$  to  $C_1$  to  $C_0$
- c.  $C_1$  to  $C_0$  to  $C_2$
- d.  $K_1$  to  $K_0$  to  $K_2$
- e.  $K_0$  to  $K_1$  to  $K_2$

20. According to *Democrats* what are the effects of supply-side tax reform?

- a. D to A
- b. A to D
- c. D to B
- d. E to D
- e. A to E

21. According to *Republicans*, what best describes the Clinton economy?

- a. A to E caused E to D
- b. D to A caused A to E
- c. D to E caused E to A
- d. A to D caused A to E
- e. A to D caused D to B

22. What shows the effects of taxing capital gains as ordinary income?

- a. A to E
- b. A to D
- c. D to B
- d. D to E
- e. D to A

23. What *best* contrasts *Democrat v. Republican* views on supply side economics?

- a. short run  $DA$  v. short run  $AD$
- b. short-run  $AE$  v. short-run  $DE$
- c. short run  $DE$  v. long run  $DB$
- d. short run  $AE$  v. long run  $DB$
- e. short-run zero sum  $AD$  v. long-run positive sum  $DB$

24. What has been the “internal contradiction” of supply-side economics?

- a.  $E-D$  blocks  $D-B$
- b.  $A-D$  blocks  $D-B$
- c.  $D-E$  blocks  $E-A$
- d.  $A-E$  blocks  $E-D$
- e.  $B-D$  blocks  $D-A$

25. As the US income tax code has evolved since the Reagan revolution, what has happened to top marginal income tax rates?

- a. they have become more proportional or “flat” because of Democratic influence
- b. they have become more progressive during Republican terms and more regressive during Democratic terms
- c. they are generally more progressive because of Democrats
- d. they are generally more progressive because of Republicans
- e. they have been cut in half

26. What has happened to the capital gains tax over the same period?

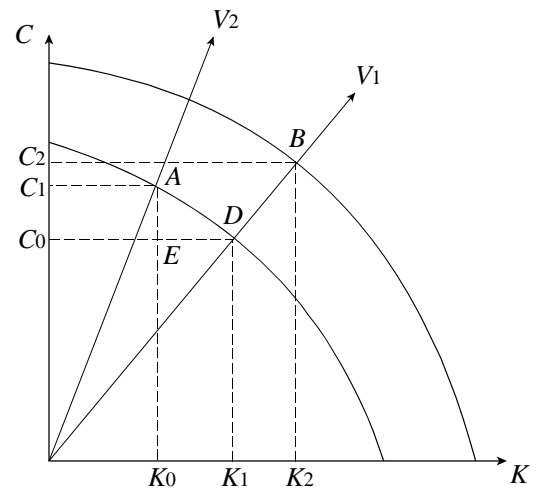
- a. cap gains increase directly with income at a decreasing rate
- b. cap gains tax has become more progressive
- c. capital gains have been treated as ordinary income
- d. cap gains get preferential tax treatment over ordinary income
- e. capital gains tax is a flat tax now because there is only one rate at 15 percent

27. Which of the following is implied by the Laffer curve a priori?

- a. a reduction in bottom marginal tax rates will cause tax revenues to increase
- b. an increase in top marginal tax rates will cause tax revenues to decrease
- c. an increase in top marginal tax rates will cause tax revenues to increase
- d. a reduction in top marginal tax rates will cause tax revenues to decrease
- e. an increase regressive tax rates will paradoxically cause tax revenues to decrease

28. What would be a “flat income tax” be like if tax deductions are still allowed?

- a. proportional on paper and in reality
- b. proportional on paper and regressive in reality
- c. just like the capital gains tax is now
- d. progressive on paper and regressive in reality
- e. regressive on paper and progressive in reality



29. In the graph *GPA* is grade point average and *SOC* is the party score. In the presence of diminishing marginal returns, what is the opportunity cost of party animal *E* becoming the 3.0 *GPA* student?

- a. 1.0 in *SOC*
- b. 2.0 in *SOC*
- c. 3.0 in *SOC*
- d. 2.0 in *GPA*
- e. 3.0 in *GPA*

30. The “freshman mistake” is thinking that:

- a. A to B is like A to C
- b. B to E is like A to B
- c. A to C is like A to B
- d. C to E is like B to E
- e. D to E is like C to E

31. The “sophomore mistake” is thinking that

- a. A to B is like A to C
- b. B to E is like A to B
- c. A to C is like A to B
- d. C to E is like B to E
- e. D to E is like C to E

32. What is the implication of diminishing marginal returns?

- a. opportunity costs are decreasing all along the possibilities curve
- b. there are positive sum gains from specialization and trade
- c. the first *GPA* points acquired are more expensive than the last
- d. the first *SOC* points acquired are more expensive than the last
- e. opportunity costs are increasing along the possibilities curve either way

33. Which of the following is a negative sum game?

- a. moving a player from a winning team to a losing team
- b. moving a player from a losing team to a winning team
- c. specialization and trade with comparative advantage
- d. “coming out of the corner” of the convex choice set
- e. long run economic growth

34. The demand for Major League Baseball (MLB) is shown in the graph. What shows the *change* in total revenue after ticket price increase?

- a.  $X + Z$
- b.  $Y + Z$
- c.  $X + Y$
- d.  $X - Z$
- e.  $X$

35. When would a price increase actually *decrease* total revenue?

- a.  $X < Y$
- b.  $Z < Y$
- c.  $X < Z$
- d.  $Z + Y < X + Y$
- e.  $Z < X$

36. Given your expert knowledge of the sports industry, what can be said about the graph for the National Football League with only 8 home games?

- a.  $X > Y$
- b.  $Z > Y$
- c.  $X < Z$
- d.  $X \approx 0$
- e.  $Z < X$

