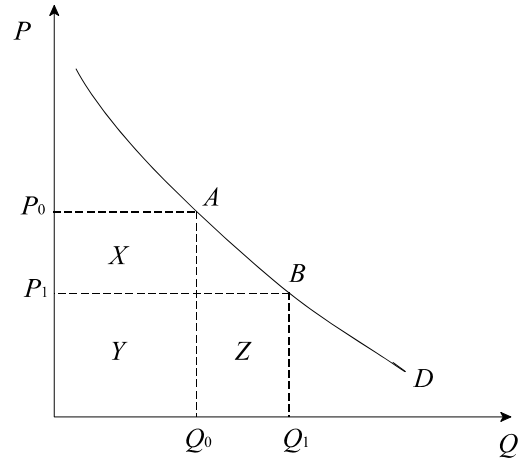


If you do not want your grade posted, leave your student number blank. Choose the best answer. Do not cheat.

**GAME ON.**

1. The demand for the National Football League (NFL) is shown in the graph. What shows the *change* in total revenue after a ticket price increase?

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



2. When would a ticket price reduction actually *increase* total revenue?

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

3. Given expert knowledge of the sports industry, what can be said about the graph for Major League Baseball (MLB) with 81 home games?

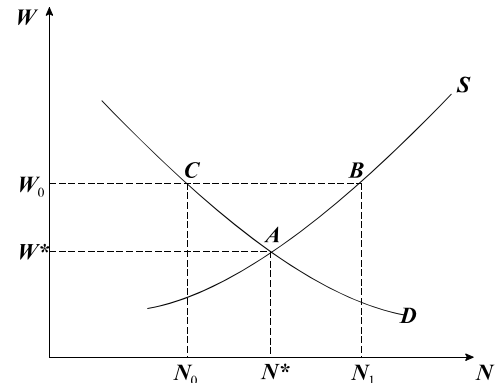
- a.  $X > Y$
- b.  $Z > Y$
- c.  $X < Z$
- d.  $Z \approx 0$
- e.  $Z < X$

4. If the ticket demand curve is linear (straight line) what is true if  $X=Z$ ?

- a. revenue maximizing price lies above  $P_0$
- b. revenue maximizing price lies below  $P_1$
- c. revenue reaches a maximum between A and B
- d. revenue is constant between A and B
- e. price elasticity is constant all along the linear demand function

5. What is the *a priori* argument *against* minimum wages?

- a. it will cause the labor surplus C to B
- b. it will cause people to leave the labor force C to A
- c. it will cause people to enter the labor force A to C
- d. it will cause layoffs B to A
- e. it will cause layoffs A to B

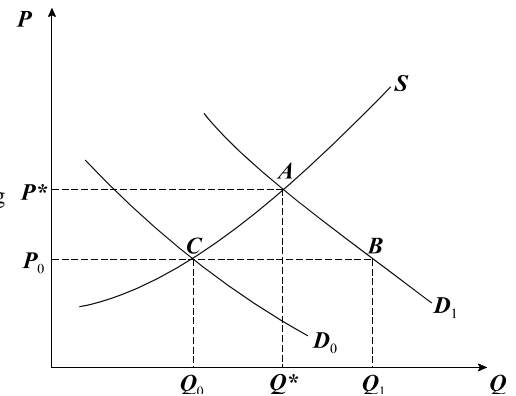


6. What is an *empirical* argument *against* minimum wages?

- a.  $N_1 W_0 > N^* W^*$
- b.  $N_1 W_0 > N_0 W_0$
- c.  $N_0 W_0 > N^* W^*$
- d.  $(N^* - N_0) W^* > (W_0 - W^*) N_0$
- e.  $(N^* - N_0) W^* < (W_0 - W^*) N_0$

7. What is the *a priori* argument against gasoline price controls in the graph?

- a. they cause the surplus C to B
- b. they cause the shortage C to B
- c. quantity supplied stays at A while demand goes to B during off demand
- d. quantity supplied stays at B while demand goes to C during peak demand
- e. quantity supplied stays at C while demand goes to A during peak demand

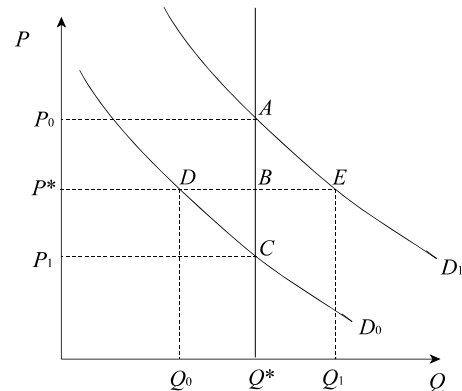


8. In a free market, what changes from off load to peak load gasoline demand during the summer?

- a. there is a temporary surplus C to B
- b. equilibrium moves from C to B
- c. quantity supplied moves from C to B
- d. quantity supplied moves from B to C to A
- e. quantity demanded moves from C to B to A

9. Capacity of the Minnesota Twins target Field is  $Q^*$  and the average ticket price is  $P^*$ . Demand curves are for "off" week-nights and "peak" week-end nights ( $Q^*$  is the average of  $Q_0$  and  $Q_1$  over the season). What shows the use of Metro Dome on week-ends?

- a. the shortage  $B-D$
- b. the surplus  $B-D$
- c. the shortage  $E-B$
- d. the surplus  $E-B$
- e. the shortage  $E-D$



10. What shows the use of the Metro Dome on week nights?

- a. the shortage  $B-D$
- b. the surplus  $B-D$
- c. the shortage  $E-B$
- d. the surplus  $E-B$
- e. the surplus  $E-D$

11. When would week-night 2 for 1 promotions reduce total gate revenue?

- a.  $P_0Q^* > P_1Q^*$
- b.  $P_0Q^* > P^*Q^*$
- c.  $P^*Q_0 < P_1Q^*$
- d.  $P^*Q_0 > P_1Q^*$
- e.  $P^*Q_1 > P_0Q^*$

12. If the MLB (baseball) home season is 81 games and the NFL (football) season is 8 home games, then what is relatively true for the NFL Minnesota Vikings?

- a.  $P_0Q^* > P_1Q^*$
- b.  $P_0Q^* > P^*Q^*$
- c.  $P^*Q_0 < P_1Q^*$
- d.  $P^*Q_0 > P_1Q^*$
- e.  $P^*Q_1 > P_0Q^*$

13. The Twins built the new Target Field downtown Minneapolis and they wanted to eliminate all variance (uncertainty) in attendance over the course of the season. What is the best strategy if  $P^*Q_0 = P_1Q^*$ ?

- a. set capacity at  $Q_0$  and price at  $P^*$
- b. set capacity at  $Q_1$  and price at  $P^*$
- c. set capacity at  $Q^*$  and price at  $P_1$
- d. set capacity between  $Q_0$  and  $Q^*$  and price between  $P_1$  and  $P^*$
- e. set capacity between  $Q_1$  and  $Q^*$  and price between  $P_0$  and  $P^*$

14. The world crude oil market equilibrium is shown at  $E$ . What shows the initial response of Western consumption to oil price changes during the Iranian revolution during the Carter administration 1976-1980?

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

15. What is the first response of non-Iranian oil producers?

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

16. What is the first response of speculators to expected price changes?

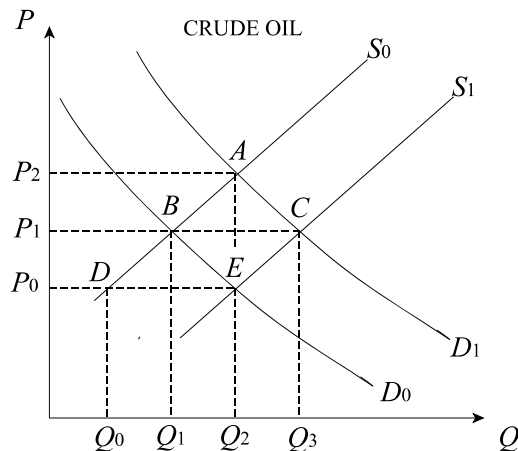
- a.  $E$  to  $D$
- b.  $D$  to  $B$
- c.  $E$  to  $B$
- d.  $B$  to  $C$
- e.  $A$  to  $E$

17. What happens when the crude-oil speculation bubble bursts?

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

18. What shows the behavior of the OPEC cartel during the two Bush administrations?

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



19. What is the empirical evidence on the price of crude oil and presidential politics?

- a. oil prices fall during Republican terms and rise during Democratic ones
- b. real prices rise during Republican terms and fall during Democratic ones
- c. low oil prices boost the economy and result in political success for incumbents
- d. low oil prices cause recessions and create an economic head wind for incumbents
- e. high oil prices stimulate the economy and result four more years for incumbents

20. The graph shows the general market experiencing a cost squeeze caused by rising oil prices. What shows the total revenue before the cost squeeze?

- a.  $Q_0 (P_2 - P_0)$
- b.  $Q_0 (P_2 - P_1)$
- c.  $P_1 Q_1$
- d.  $P_0 Q_0$
- e.  $P_2 Q_0$

21. What shows the total amount of the cost squeeze?

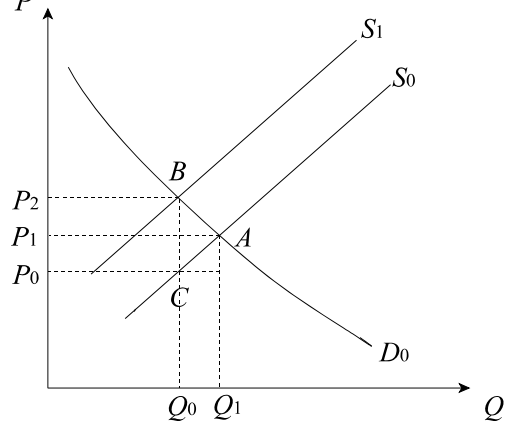
- a.  $Q_0 (P_2 - P_0)$
- b.  $Q_0 (P_2 - P_1)$
- c.  $P_1 Q_1$
- d.  $P_0 Q_0$
- e.  $P_2 Q_0$

22. What part of the cost squeeze is passed through to consumers?

- a.  $Q_0 (P_2 - P_0)$
- b.  $Q_0 (P_2 - P_1)$
- c.  $P_1 Q_1$
- d.  $P_0 Q_0$
- e.  $P_2 Q_0$

23. What shows the net revenue (excluding costs) after the cost squeeze?

- a.  $Q_0 (P_2 - P_0)$
- b.  $Q_0 (P_2 - P_1)$
- c.  $P_1 Q_1$
- d.  $P_0 Q_0$
- e.  $P_2 Q_0$



24. What would be true if demand in the graph was perfectly price inelastic?

- a.  $P_1 Q_1 > P_2 Q_0$
- b.  $P_0 Q_0 > P_2 Q_0$
- c.  $P_0 Q_0 > P_1 Q_1$
- d.  $P_2 Q_0 = P_1 Q_1$
- e.  $P_0 Q_0 = P_1 Q_1$

25. What is generally true for the US economy during political revolutions in the Middle East?

- a. rising oil prices stimulate all sectors of the economy
- b. falling oil prices stimulate all sector of the economy
- c. the economy is unaffected by oil prices
- d. recessions hit sectors with elastic demand the hardest
- e. recessions hit sectors with inelastic demand the hardest

26. What is generally true about the politics of minimum wages over the last 25 years?

- a. real minimum wages have been constant for both political parties because of continuous inflation
- b. real minimum wages ended up about the same before and after the two Democratic administrations preceding Obama
- c. nominal minimum wages fall and real minimum wages rise during Democratic terms
- d. real minimum wages fall and nominal minimum wages rise during Democratic terms
- e. real minimum wages stay about the same during Republican administrations

27. As the US income tax code has evolved from 1980 Reaganomics to now, what has happened to top marginal income tax rates?

- a. they have consistently been lower than average rates
- b. they have become proportional or "flat" because of liberal influence
- c. they have become more progressive during Republican terms and more regressive during Democratic terms
- d. they are generally more progressive because of conservative influence
- e. they have been cut in half from 70% to 35%

28. What is true about the capital gains tax over the same period since 1980?

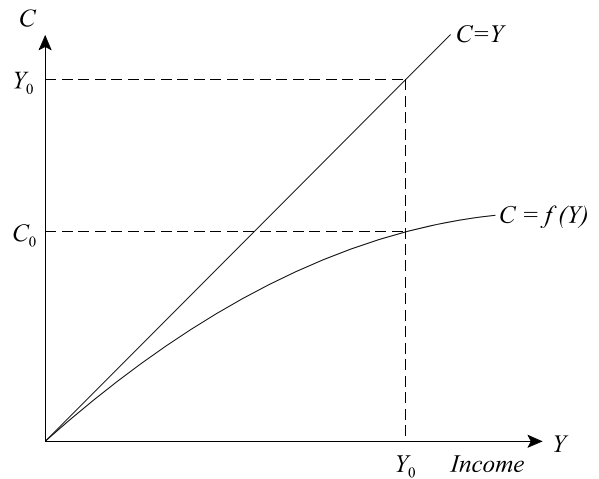
- a. it has become a regressive tax because there is only one marginal rate for all income groups
- b. it has become increasingly progressive
- c. cap gains taxes are now the same as income tax rates
- d. cap gains have almost always had preferential tax treatment over ordinary income
- e. capital gains are taxed as ordinary income

29. What would a flat income tax be like if tax deductions were still allowed?

- a. regressive
- b. proportional
- c. progressive
- d. similar to the capital gains tax because rich guys have proportionately more of both capital gains and deductions
- e. proportional on paper and progressive in reality because only rich guys have capital gains

30. What is the argument for more progressive marginal income tax rates?
- progressive taxes enhance economic growth
  - progressive taxes harm economic growth
  - extra money is worth more to the rich guys
  - extra money is worth less to the rich guys
  - increased savings generates economic growth

31. What is true in the accompanying graph?
- consumption is progressive with respect to income
  - savings is regressive with respect to income
  - savings lies above the 45 degree  $C=Y$  line
  - savings lies below the consumption function  $C = f(Y)$
  - savings lies between  $C$  and the  $C=Y$  line



32. What policy conclusion follows from the graph?
- progressive taxes increase savings
  - regressive taxes increase consumption
  - consumption taxes are progressive with respect to income
  - a flat tax on consumption is proportional with respect to income
  - cutting high marginal tax rates will increase savings

33. Which of the following is implied by the Laffer curve?
- a reduction in bottom marginal tax rates will cause tax revenues to increase
  - an increase in bottom marginal tax rates could cause tax revenues to decrease
  - an reduction in top marginal tax rates could cause tax revenues to increase
  - a reduction in top marginal tax rates will cause tax revenues to decrease
  - an increase regressive tax rates will paradoxically cause tax revenues to decrease

34. What's wrong with using a lottery to finance a sports stadium?
- both the lottery and game attendance are regressive
  - the lottery is regressive and game attendance is progressive
  - 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

35. Which of the following public finance schemes is the most equitable?
- Nashville using funds from the Metro Water Account and sales taxes for the \$292M LP Field for the NFL Titans
  - Maryland Stadium Authority using the sports lottery to finance the \$206M MLB Oriole Park in Baltimore
  - Nashville using sales taxes to finance the \$145M Nashville Arena for the NHL Predators (41 home games)
  - NFL New York Jets and Giants using fees from season-ticket holders to pay for \$1.6 billion Meadowlands Stadium
  - Arlington Stadium Authority using sales taxes to finance a \$1.2 billion NFL Dallas Cowboys stadium

36. What was Obama's recent compromise with Republicans on taxes?
- increased the top marginal income tax rates to 39.6%
  - increased the top capital gains tax rates to 20%
  - agreed to tax capital gains as ordinary income
  - agreed to reduced the top marginal income rates to 20%
  - agreed to extend Bush tax cuts (15% on cap gains and 35% on income) through 2012

**GAME OVER.**