Midterm #1 Answers:

**Part I, Matching: (Version 1 — 2)**
1. B — C  
2. G — H  
3. F — G  
4. E — F  
5. D — E  
6. A — G  
7. G — A  
8. E — C  
9. C — E  
10. B — F

**Part II, Short Answer:**

**Question 1:**
A. \( P = 14 - (.7)Q \)
B. \( Q = 10 \)
C. Island A will pay $5 per lighthouse, Island B will pay $2 per lighthouse. $50 (total), and $20, respectively, is also acceptable.

**Question 2:**
A. \( P = 6, Q = 4 \)
B. shift, movement, higher.
C. $4, $6
D. $2, $8, the change in consumer surplus is -$6, and the deadweight loss is $3.

**Question 3:**
A. No
B. Albania
C. I
D. I
E. Botswana, Albania

**Part III: Multiple Choice:**

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