

Midterm #1 Answers:

Part I, Matching: (Version 1 – 2)

- | | |
|----------|-----------|
| 1. B – C | 6. A – G |
| 2. G – H | 7. G – A |
| 3. F – G | 8. E – C |
| 4. E – F | 9. C – E |
| 5. D – E | 10. B – F |

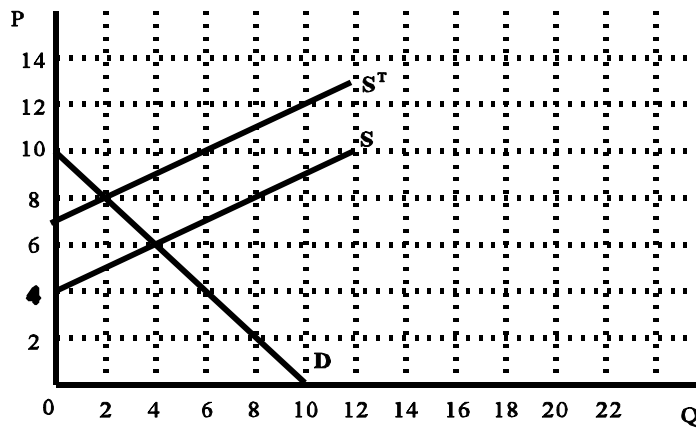
Part II, Short Answer:

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:

- | V. 1. Answer – V.2. # | V.2. Answer | V. 1. Answer – V.2. # | V.2. Answer |
|-----------------------|-------------|-----------------------|-------------|
| 1. A – 3 | 1. C | 7. E – 9 | 7. C |
| 2. A – 4 | 2. C | 8. C – 1 | 8. B |
| 3. A – 5 | 3. A | 9. C – 2 | 9. E |
| 4. D – 6 | 4. A | 10. A – 10 | 10. A |
| 5. C – 7 | 5. A | 11. B – 11 | 11. B |
| 6. B – 8 | 6. D | 12. E – 12 | 12. E |