

1. There are about _____ inches in a meter.
2. Water is made up of two elements _____ and _____.
3. The five-dollar bill has a picture of _____.

Answer four (4) of the following six (6) questions.

1. What is meant by tax incidence? How does this concept apply to who actually pays a sales tax? Illustrate your answer graphically to show how a sales tax can be evaluated.
2. What is an oligopoly? What are the market characteristics of an oligopolistic market? How can the kinked demand curve be used to explain market behavior in an oligopolistic market? Why do prices tend to be sticky in an oligopolistic market?
3. What is a natural monopoly? Why do we allow them? What are the policy options in controlling them? Why can their prices (profits) be difficult to control and set? Use graphs to illustrate your answer as appropriate.
4. What does it mean to say that resource demand is a derived demand? How does this concept become a part of the goal for profit maximization? What is the basic rule for resource use to minimize costs?
5. What is meant by monopolistic competition? What are the characteristics of this market type? What does equilibrium imply with monopolistic competition? What are the advantages/disadvantages of this market type?
6. Why are spillover costs and spillover benefits also called negative and positive externalities? Show graphically how a tax can correct for a negative externality and how a subsidy to producers can correct for a positive externality. How does a subsidy to consumers differ from a subsidy to producers in correcting a positive externality?