TRUE/FALSE – Explain. State clearly if you are making any additional assumptions to be able to answer.

1. A petition is circulating in Vancouver to restrict foreign citizens from buying houses in the city which are then left empty. If such policy is passed, it will unambiguously make Vancouverites better off.

2. A bill under consideration in Iowa proposes that university professors be ranked based on their student evaluations and then those professors who do not meet a certain threshold be fired. If implemented, such policy will improve teaching quality and learning outcomes by creating competition among professors.

3. The existence of "sales" (price markdowns) in retail stores implies that the retail market is not perfectly competitive.

4. Extracting non-renewable fossil fuels is not sustainable in the long-run since when the fuels run out our grandchildren will be left cold and starving.

5. Suppose two countries A and B have the same production function $Y_i = (K_i)^\alpha (L_i)^{1-\alpha}$ for $i = A, B$, where Y_i is country i's GDP, L_i is its labor force, K_i is the capital stock, and $\alpha \in (0,1)$. Initially A has lower wages than B, and no immigration is allowed. If K_B remains fixed and country B wants to maximize its GDP per capita, then B should allow unlimited immigration from A.

TRUE/FALSE – Explain. State clearly if you are making any additional assumptions to be able to answer.

1. An increase in a household's present value of income generated by a fall in the real interest rate would increase the household's *current* consumption (*hint:* consider both net savers and borrowers).

2. The "draft" rule in North American professional sports whereby the lowest placed teams in a league get to pick and lock into a long-term contract the best prospect players is anti-competitive and therefore leads to lower social surplus than the alternative institution of the most successful teams competing salary-wise to attract the best players (e.g., as in European soccer).

3. Incentives are efficiently aligned between workers and management if workers are paid a fixed fee for a specified amount of output rather than an hourly wage rate for an unspecified amount of output.

4. Corruption is efficient since it allows more productive businesses, which can afford the bribe, to speed up their way through the bureaucratic process.

5. It is optimal to allow a country or person to default on its/his/her debt in bad times since this ensures that consumption is better smoothed over time.