Ag Econ 1041
Quiz 6, 30 points
October 9, 2008

Name ________KEY___________________
11 a.m. Section

True/False – one point each

__F__ 1. The financial rescue plan or bailout would double the size of the U.S. debt.
__T__ 2. Investors treat bonds as a substitute for stocks.
__T__ 3. The inability to borrow could force some businesses to close.
__F__ 4. Demand is based on the available supply.
__T__ 5. Expectations related to prices and income can shift demand.

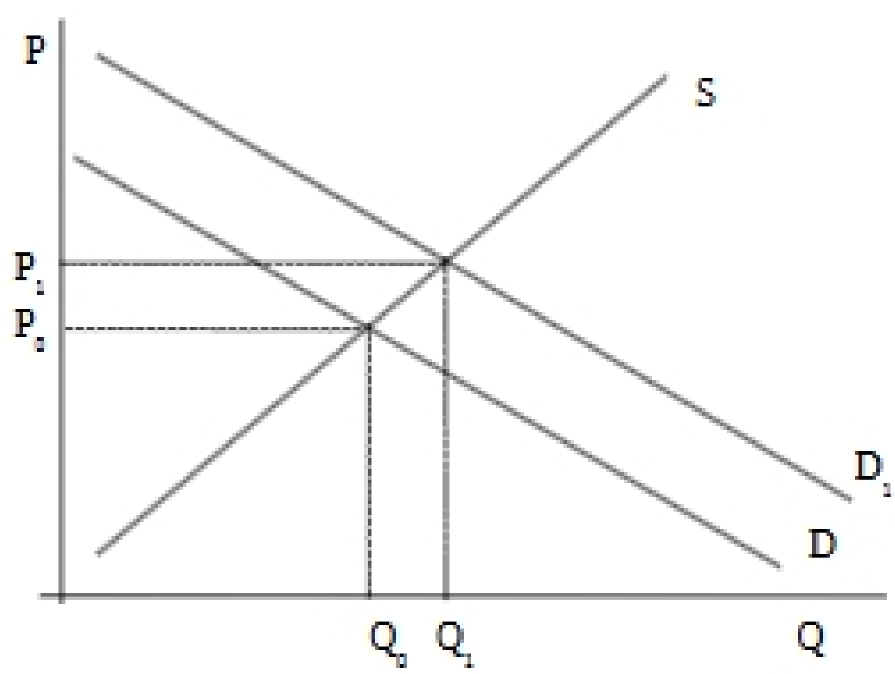
Five points each

6. The net value to consumers of a good is called ___consumer surplus___________________.

7. Oil companies see increases in total revenue when prices increase because consumer demand is _____inelastic___________________.

8. If the income elasticity for milk is 0.1, then a decline in income will cause what to happen to market outcomes (P&Q) in the milk market? What causes the changes in P&Q?
   P&Q ↓   D ↓

9. If the cross-price elasticity of apples to bananas is 0.2 then these two goods are ____substitutes________. Diagram what happens in the banana market if apple prices rise.



10. Diagram what happens in the market for furniture if income declines. Show the final producer and consumer surplus.