

Ag Econ 1041
Second Quiz, 30 points
September 4, 2008

Name _____ **KEY** _____

Matching – one point each

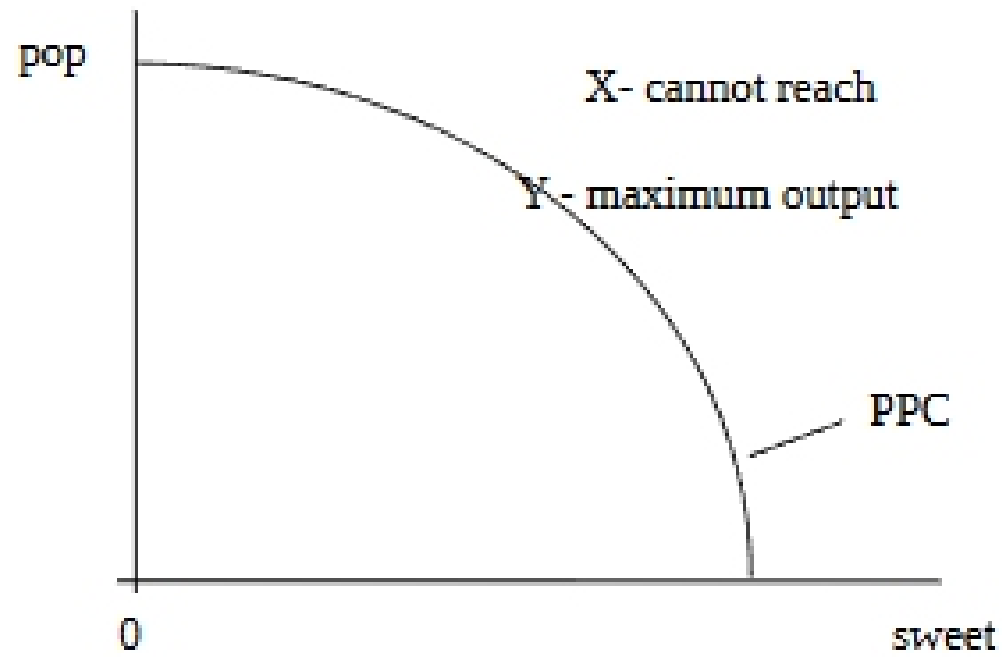
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|--------------|--------------------------|----|--------------------------------------|
| C 1. | Opportunity cost | a) | Nothing else changing |
| F 2. | Incentives | b) | The maximum that could be produced |
| I 3. | Scarcity | c) | True cost of a decision |
| K 4. | Fallacy of composition | d) | Study of resource allocation |
| N 5. | Utility | e) | The cause, since it happened first |
| J 6. | Explicit cost | f) | Effort to change behavior |
| G 7. | Margin | g) | Edge, where change occurs |
| E 8. | Post hoc fallacy | h) | Rise over run |
| B 9. | Production possibilities | i) | Reflected in the price of a good |
| A 10. | Ceteris paribus | j) | Payment to another |
| D 11. | Economics | k) | True for everyone |
| H 12. | Slope | l) | Man made resources |
| L 13. | Capital | m) | Used for producing goods or products |
| M 14. | Resources | n) | Value, benefit or satisfaction |
| O 15. | Market | o) | Where exchange takes place |
| P 16. | AmosWeb | p) | 1041 resource |

Multiple choice – two points each

- a** 17. The basis for economic analysis is
- a. **opportunity cost**
 - b. making money
 - c. taxation
 - d. commerce
 - e. political
- c** 18. The benefit of a one-unit increase in an activity
- a. is called marginal cost
 - b. is always greater than the opportunity cost
 - c. **eventually decreases**
 - d. is measured by what we must give up
 - e. all of the above

Short answers – five points each

19. Diagram a realistic production possibilities frontier for the “Corn to You” company that produces popcorn and sweet corn. Show a level of output the firm cannot currently reach as well as a maximum level of output.



20. You have three alternatives for Saturday: A is going to the MU football game; B is going home to a high school friend’s party and C is working for \$10/hour. Use A, B or C to state

1. What you will do A, B or C
2. What is your opportunity cost anything not matching #1
3. What is your third choice? irrelevant (A, B or C)
4. Why is answer 2 your opportunity cost next highest value to answer 1