

Ag Econ 1041
Third Quiz, 25 points
September 5, 2006

Name _____ **KEY** _____
11:00 am section

True/False are valued at one point each

- F** 1. A market is where sellers force buyers to pay more for specific products than the products are worth to the buyers.
- F** 2. Government oversight is not necessary for a free market to operate fairly.
- F** 3. Profits cause reductions in output because resources leave a profitable industry.
- T** 4. Laissez faire is when markets operate without government affecting price and quantity outcomes.
- T** 5. Economics is the study of the allocation of scarce resources.
- F** 6. A comparative advantage exists for you if you have higher opportunity cost for a specific activity.
- F** 7. Opportunity cost is the value of all possible foregone alternatives.
- F** 8. Profit is cost minus revenue.
- T** 9. Gross domestic product is a measure of a country's output.
- T** 10. Scarcity exists when a good or resource commands a price to get it.

Short answers are valued at five points each

- 11. Why do you attend class (in economic terminology)?
Lowest opportunity cost
- 12. What do we call goods that we get from other countries? Do these goods make us worse off or better off when we buy them?
Imports; better off
- 13. Draw a graph of a production possibilities curve (PPC) identifying the situation when a) all resources are not being used, b) all resources are being used efficiently and, c) output levels are currently impossible.

