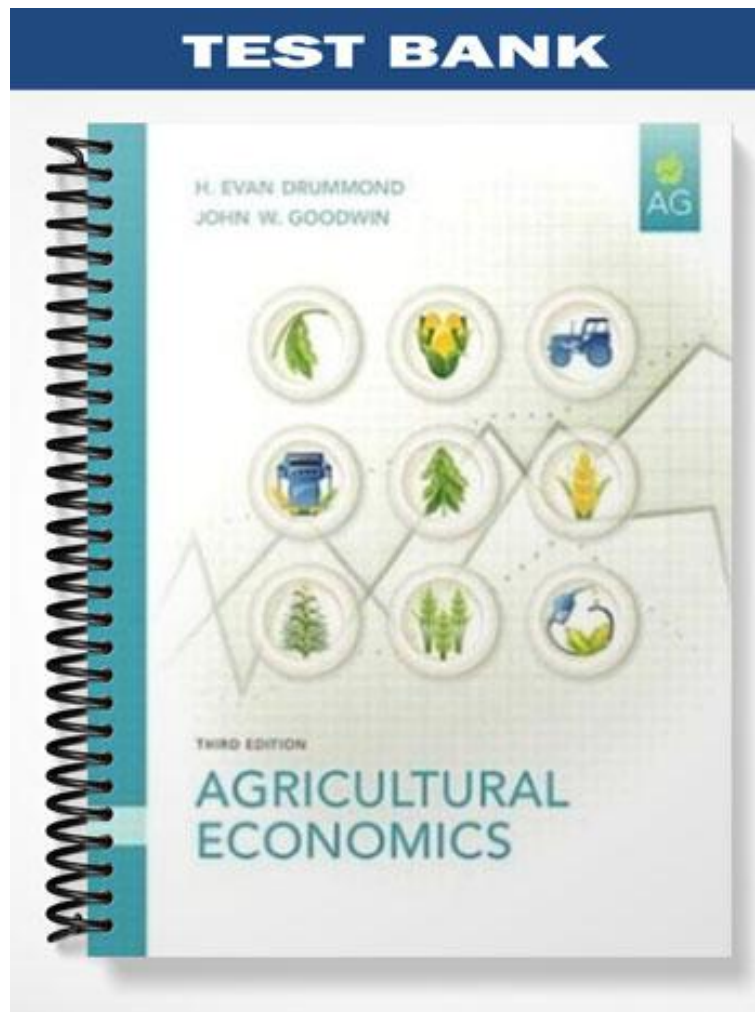


# TEST BANK



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THIRD EDITION

## AGRICULTURAL ECONOMICS

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 1) *Ceteris paribus* means 1) \_\_\_\_\_  
A) everything else remains constant  
B) nothing changes  
C) assuming prices remain constant  
D) only this is allowed to change  
E) over time
- 2) An observer notes that an increase in the price of Pepsi caused the consumption of Pepsi to decline. This observer is 2) \_\_\_\_\_  
A) correct  
B) guilty of the causation versus correlation fallacy  
C) guilty of the after this, therefore because of this fallacy  
D) guilty of the zero-sum game fallacy  
E) guilty of the fallacy of composition
- 3) Of the decisions every economic system must make, the command system is more egalitarian than the price system with regards to the \_\_\_\_\_ decision. 3) \_\_\_\_\_  
A) for whom  
B) when  
C) how to  
D) how much  
E) what
- 4) The market for beef in the U.S. is an example of allocation using the \_\_\_\_\_ system 4) \_\_\_\_\_  
A) allocative  
B) command  
C) mixed  
D) equilibrium  
E) price
- 5) In the United States, higher education is an example of 5) \_\_\_\_\_  
A) allocation using a mixed system  
B) *ceteris paribus*  
C) a good for which demand is greater than supply  
D) a good for which supply is greater than demand  
E) none of the above
- 6) The diamond-water paradox illustrates the principle of 6) \_\_\_\_\_  
A) inflation  
B) the substitution effect  
C) greed  
D) scarcity  
E) the real balance effect
- 7) To be certain that there is "a chicken in every pot," we would need 7) \_\_\_\_\_  
A) a price system  
B) a command system  
C) an equilibrium price  
D) cheaper chickens  
E) more chickens

- 8) The economic term used to describe the earnings forgone by attending college is 8) \_\_\_\_\_
- A) phantom earnings
  - B) lost earnings
  - C) foregone earnings
  - D) opportunity cost
  - E) lost wages
- 9) Economics, as the science of allocation, does NOT depend on 9) \_\_\_\_\_
- A) greed
  - B) money
  - C) scarcity
  - D) choice
  - E) none of the above
- 10) It is prudent for the family to earn more than it spends; therefore, it is prudent for the government to earn more than it spends. This statement is an example of 10) \_\_\_\_\_
- A) *ceteris paribus*
  - B) the correlation-causation fallacy
  - C) the post-hoc, ergo propter hoc fallacy
  - D) the zero-sum game fallacy
  - E) the fallacy of composition
- 11) The cost of using a good for one purpose is equal to the value that good could have earned in its best alternative use. This is the concept of 11) \_\_\_\_\_
- A) alternative value
  - B) second best cost
  - C) opportunity cost
  - D) alternative cost
  - E) none of the above
- 12) The statement "A decrease in the price of pizza caused the quantity demanded of pizza to increase" is an example of the 12) \_\_\_\_\_
- A) fallacy of competition
  - B) law of supply
  - C) zero-sum game fallacy
  - D) fallacy of correlation versus causation
  - E) none of the above
- 13) The allocation of fire protection in Los Angeles is an example of 13) \_\_\_\_\_
- A) microeconomics
  - B) the command allocation system
  - C) the invisible hand of Adam Smith
  - D) use of the price allocation system
  - E) none of the above
- 14) Economics is the science of 14) \_\_\_\_\_
- A) capitalism
  - B) money
  - C) investing
  - D) allocation
  - E) none of the above

- 15) Recently Joe bought a used car from Jane. Joe thought he got a very good deal. Therefore, Jane must have gotten a very bad deal. This is an example of 15) \_\_\_\_\_
- A) the fallacy that correlation implies causation
  - B) gender based exploitation
  - C) the post-hoc, ergo propter hoc fallacy
  - D) the fallacy of composition
  - E) the zero-sum game fallacy
- 16) If I eat less it won't hurt the economy, therefore, if everyone eats less it won't hurt the economy. This statement is an example of 16) \_\_\_\_\_
- A) the fallacy of consumption
  - B) the fallacy of composition
  - C) the post-hoc, ergo propter hoc fallacy
  - D) correlation versus causation
  - E) the zero-sum game fallacy
- 17) The price system is not very egalitarian in making the 17) \_\_\_\_\_
- A) for whom to produce decision
  - B) how much to produce decision
  - C) when to produce decision
  - D) what to produce decision
  - E) how to produce decision
- 18) In the language of economics, which of the following is a "resource"? 18) \_\_\_\_\_
- A) wheat
  - B) pick-up trucks
  - C) water
  - D) labor
  - E) all of the above
- 19) The study of the behavior of an individual firm is part of 19) \_\_\_\_\_
- A) supply and demand
  - B) microeconomics
  - C) market economics
  - D) macroeconomics
  - E) none of the above
- 20) In order to establish a market, which of the following are essential? 20) \_\_\_\_\_
1. a marketplace or location
  2. potential buyers
  3. an auctioneer
  4. potential sellers
- A) 1, 2, and 4
  - B) 2 and 4
  - C) 1 only
  - D) 1, 2, 3, and 4
  - E) none of the above
- 21) The study of the changes in time, place, form, and possession that occur as a good moves from the producer to the consumer is called 21) \_\_\_\_\_
- A) consumer behavior

- B) marketing
- C) market economics
- D) production theory
- E) agents of change

- 22) When a local McDonald's manager hired a third counter worker her sales increased by 22%. When she hired a fourth counter worker, her sales increased by 12%. This is an example of \_\_\_\_\_
- A) opportunity cost
  - B) economic efficiency
  - C) marginal product
  - D) increasing efficiency
  - E) diminishing returns
- 23) In the language of economics, marginal means \_\_\_\_\_
- A) questionable
  - B) very small
  - C) not reputable
  - D) additional
  - E) quite large
- 24) Juan, going 85 miles per hour in his car missed a curve and ran into a tree. This is an example of \_\_\_\_\_
- A) the fallacy of composition
  - B) correlation
  - C) causation
  - D) the correlation-causation fallacy
  - E) the zero sum game fallacy
- 25) What creates the need for an allocation system? \_\_\_\_\_
- A) government
  - B) choice
  - C) markets
  - D) scarcity
  - E) money
- 26) To an economist, the term "efficiency" refers to \_\_\_\_\_
- A) tractor horsepower
  - B) prices
  - C) returns in relation to costs
  - D) wage rates
  - E) none of the above
- 27) A good example of a mixed price/command allocation system is \_\_\_\_\_
- A) police protection
  - B) higher education
  - C) elementary education
  - D) fire protection
  - E) hamburgers at the Burger Barn
- 28) In the neoclassical model of markets, buyers are \_\_\_\_\_ and sellers are \_\_\_\_\_
- A) sovereign; regulated
  - B) price makers; price takers

- C) price takers; price makers
- D) price takers; price takers
- E) price makers; price makers

29) Macroeconomics would NOT deal with

29) \_\_\_\_\_

- A) interest rates
- B) inflation
- C) international trade
- D) unemployment
- E) a family farm

30) The concept of diminishing returns stipulates that eventually the returns to an economic activity

30) \_\_\_\_\_

- A) increase at a decreasing rate
- B) decrease at an increasing rate
- C) decrease at a decreasing rate
- D) increase at an increasing rate
- E) none of the above

- 1) A
- 2) B
- 3) A
- 4) E
- 5) A
- 6) D
- 7) B
- 8) D
- 9) B
- 10) E
- 11) C
- 12) D
- 13) B
- 14) D
- 15) E
- 16) B
- 17) A
- 18) E
- 19) B
- 20) B
- 21) B
- 22) E
- 23) D
- 24) C
- 25) D
- 26) C
- 27) B
- 28) D
- 29) E
- 30) A