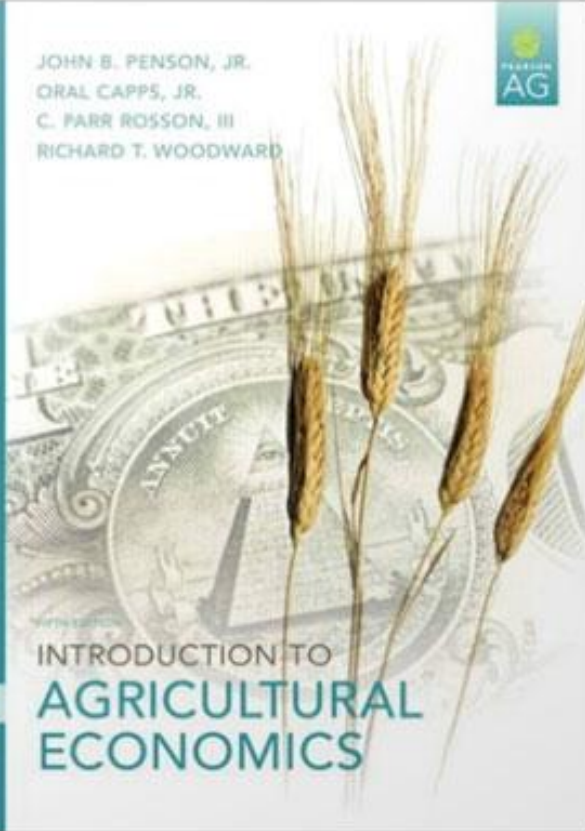


# TEST BANK



JOHN B. PENSON, JR.  
ORAL CAPPS, JR.  
C. FARR ROSSON, III  
RICHARD T. WOODWARD



INTRODUCTION TO  
**AGRICULTURAL  
ECONOMICS**

**VOCABULARY. Define each term or phrase in the space provided or on a separate sheet of paper.**

- 1) A finite quantity of resources that is available to meet society's needs.
- 2) The rate of exchange of pairs of consumption goods or services to leave utility or satisfaction unchanged.
- 3) The consumption bundle that maximizes total utility and is feasible as defined by the budget constraint.

levels, all other factors constant.

- 6) Marginal utility declines as more of a good or service is consumed during a specified period of time.
- 7) Defined by the income available for consumption and the prices that a consumer faces.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

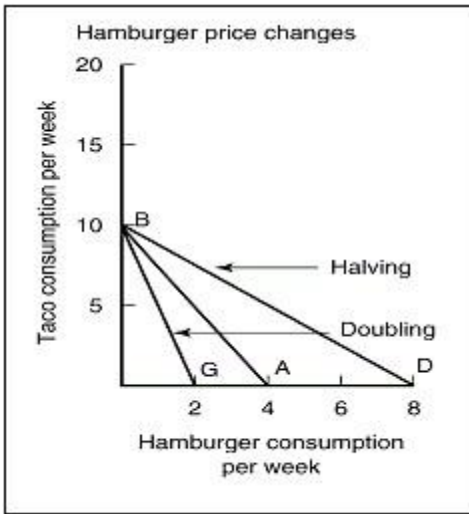
- 8) A measure of the response of consumption of a good or service to changes in the price of 8) \_\_\_\_\_ another good or service.

**VOCABULARY. Define each term or phrase in the space provided or on a separate sheet of paper.**

- 9) Decrease (increase) in price of a product means the consumer can afford to buy more (less) of the product.
- 10) The value of food expenditures contributed by firms beyond the farm gate.
- 11) A graph of the locus of consumption bundles that provide a consumer a given level of satisfaction.
- 12) Branch of economics that focuses on the economic actions of individuals or specific groups of individuals.
- 13) A branch of economics that focuses on the broad aggregates, such as the growth of gross domestic product, the money supply, the stability of prices, and the level of employment.
- 14) The economic sacrifice of not doing something else or foregoing another opportunity.
- 15) The level of output per unit of input.
- 16) Goods for which consumption falls (rises) when income increases (decreases).
- 17) As disposable income of a consumer increases, the percentage of income spent for food decreases if all other things remain constant.
- 18) Shift in the demand curve caused generally by changes in the prices of complements or substitutes, income, and tastes and preferences.
- 19) A mathematical or functional representation of the satisfaction a consumer derives from a consumption bundle.
- 20) A measure of the relative response of consumption of a good or service to changes in price.
- 21) Personal income after the payment of tax obligations.
- 22) Substitution of a product for another because the price of the former has declined or increased.
- 23) The assumption that all other factors that might affect demand are held constant during the time period.
- 24) A measure of the relative response of demand to income changes.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

*Using the graph, please fill in the blanks for the following questions.*



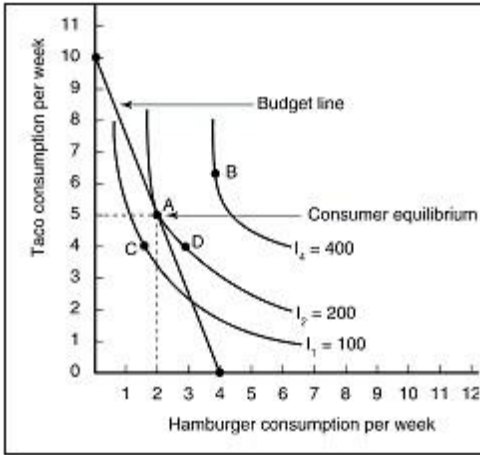
25) If the price of hamburgers is \$1.25, what is size of the budget represented by the budget constraint BA? 25) \_\_\_\_\_

28) Can we determine a demand schedule for tacos from this graph?

28) \_\_\_\_\_

Given this graph, please fill in the blanks for the following questions.

Point A on the graph was said to represent consumer equilibrium.



29) Point B does not represent consumer equilibrium because:

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

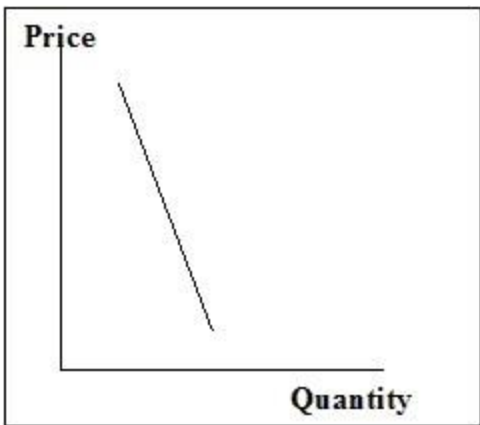
30) Point C does not represent consumer equilibrium because:

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

31) Point D does not represent consumer equilibrium because:

31) \_\_\_\_\_

Given the graph depicted, please fill in the blanks for the following questions.



32) The overall elasticity of this demand curve can be categorized as \_\_\_\_\_.

32) \_\_\_\_\_

33) An increase in the quantity coming onto this market will result in a(n) \_\_\_\_\_ in revenue to producers of this product.

33) \_\_\_\_\_

34) This increase in quantity coming onto the market will result in a \_\_\_\_\_ the demand curve.

34) \_\_\_\_\_

35) We refer to this as a \_\_\_\_\_.

35) \_\_\_\_\_

Use this data to fill in the blanks for the following questions.

The Dixie Chicken sells 1,500 Freddie Burger platters per month at \$3.50 each.

The own price elasticity for this platter is estimated to be -1.30.

If the Chicken reduces the price of the platter by 50 cents:

$$\% \Delta P = -.50(3.00 - 3.50)/(3.25)$$

$$-1.30 = \% \Delta Q / (-.1538)$$

$$\% \Delta Q = .1999$$

$$\begin{aligned} \text{Revenue before} &= 1,500 \times \$3.50 \\ &= \$5,250 \end{aligned}$$

$$\begin{aligned} \text{Revenue after} &= (1,500 \times 1.1999) \times \$3.00 \\ &= 1,800 \times \$3.00 \\ &= \$5,400 \end{aligned}$$

$$\begin{aligned} \text{Change in revenue} &= \$5,400 - \$5,250 \\ &= \$150 \end{aligned}$$

- 1) Scarcity
- 2) Marginal Rate of Substitution
- 3) Consumer equilibrium
- 4) Purchasing power
- 5) Engel curve
- 6) Law of diminishing marginal utility
- 7) Budget constraint
- 8) Cross-price elasticity
- 9) Income effect
- 10) Marketing margin
- 11) Indifference curve
- 12) Microeconomics
- 13) Macroeconomics
- 14) Opportunity cost
- 15) Productivity
- 16) Inferior good
- 17) Engel's law
- 18) Change in demand
- 19) Utility function
- 20) Own-price elasticity
- 21) Disposable income
- 22) Substitution effect
- 23) *Ceteris paribus*
- 24) Income elasticity
- 25) \$5.00
- 26) price of hamburgers fell in half
- 27) price of hamburgers doubled
- 28) no
- 29) exceeds the budgeted constraint
- 30) utility not maximized
- 31) costs more than combination at point A
- 32) inelastic
- 33) decrease
- 34) movement along
- 35) change in quantity demanded
- 36) 1,800 platters
- 37) up by \$150
- 38) better
- 39) elastic
- 40) decrease, 3.664
- 41) .1476
- 42) inferior\_
- 43) decrease, 3.664
- 44) increase
- 45) increase, 0.572
- 46) FALSE
- 47) TRUE
- 48) FALSE
- 49) B
- 50) C
- 51) C

- 52) B
- 53) B
- 54) B
- 55) C
- 56) A
- 57) B
- 58) B
- 59) B
- 60) A
- 61) C