Please put the following pieces of information on your scantron:

(a) Name
(b) UIN #
(c) Sign the Aggie pledge on the back of your scantron.

“On my honor, as an Aggie, I have neither given nor received unauthorized aid on this exam.”
1. Which of the following statements is (are) true?
   (a) Under the 2002 Farm Bill, commitments initially were made to develop resources for the production of ethanol and biodiesel facilities.
   (b) The “Freedom to Farm” Act was the characterization of the 1996 Farm Bill.
   (c) Current debate surrounding the new Farm Bill of 2012-2013 includes a movement to crop insurance.
   (d) All of the above.

2. A major provision of the Food Security Act of 1985 designed to reduce erosion and protect water quality on millions of farmland is the:
   (a) Export Enhancement Program
   (b) Emergency Food Assistance Program
   (c) Wetlands Research Program
   (d) Conservation Reserve Program

3. Which economist first made estimates of GDP in 1932?
   (a) John Maynard Keynes
   (b) Simon Kuznets
   (c) Charles Brannan
   (d) none of the above

4. Soil erosion and land use are the responsibilities of the
   (a) Human Nutrition Information Service
   (b) National Resource Conservation Service
   (c) Food and Drug Administration
   (d) Commodity Credit Corporation

5. Which of the following programs is (are) examples of demand expansion programs?
   (a) National School Lunch Program
   (b) School Breakfast Program
   (c) Supplemental Nutrition Assistance Program (SNAP)
   (d) all of the above

6. The government agency within the U.S. Department of Agriculture (USDA) that makes nonrecourse loans to farmers for the purpose of supporting prices at a specified level is the
   (a) Food and Drug Administration
   (b) Federal Trade Commission
   (c) Commodity Credit Corporation
   (d) National Resource Conservation Service

7. What was the name of the 2008 Farm Bill?
   (a) the FAIR Act
   (b) the Farm Security Act
   (c) the Food, Conservation and Energy Act
   (d) none of the above

8. A situation designed to increase or maintain profits through price fixing and/or to restrict new firms in an industry is called:
   (a) countervailing action
   (b) collusion
   (c) none-price competition
   (d) none of the above
9. The rationale for government intervention into the agricultural sector includes:
   (a) providing for environmental quality
   (b) providing for national food security
   (c) providing for consumer health and safety
   (d) all of the above

10. The loan rate program was established under the provisions of the:
    (a) Clayton Act of 1914
    (b) Capper-Volstead Act of 1922
    (c) Agricultural Adjustment Act of 1933
    (d) Agricultural Marketing Agreement Act of 1937

11. Which of the following statements is (are) true?
    (a) The farm sector is one of the most highly capitalized sectors of the U.S. economy.
    (b) The concept of target prices was first proposed by Charles Brannan.
    (c) The MIS is always negative.
    (d) all of the above.

12. Country-of-origin labeling (COOL) was first established under the:
    (a) 1996 Farm Bill
    (b) 2002 Farm Bill
    (c) 2008 Farm Bill
    (d) is not yet established but is currently under scrutiny.

13. Which of the following statements is (are) false?
    (a) The own-price elasticity of domestic demand for agricultural products is inelastic.
    (b) The supply curve, in the short run, for agricultural products is inelastic.
    (c) The own-price elasticity of foreign demand for agricultural products is smaller (in absolute value) than the own-price elasticity of domestic demand for agricultural products.
    (d) none of the above

14. The loan rate for this commodity is $2.94/bushel and the target price is $4.17/bushel. Name the commodity.
    (a) wheat
    (b) corn
    (c) sorghum
    (d) soybeans

15. Which of the following is (are) true?
    (a) Monopsonists will offer a lower price and buy more input than firms engaging in perfect competition.
    (b) Corn, sorghum, and barley share the same loan rates and target prices.
    (c) The loan rate for rice is $6/cwt and the target price for rice is $10/cwt.
    (d) All of the above.

16. The “golden” age of the U.S. agricultural sector was the period from:
    (a) 1890 to 1894.
    (b) 1910 to 1914.
    (c) 1929 to 1933.
    (d) none of the above.
Questions 17 - 20 pertain to the following diagram for cotton.

\[ \text{P ($/pound)} \]

\[ \text{Q (millions of pounds)} \]

17. Which of the following statements is (are) true?
   (a) The free market price is $0.52 per pound.
   (b) The loan rate is $0.52 per pound.
   (c) The free market price is $0.45 per pound.
   (d) (b) and (c)

18. What is the magnitude of the surplus of cotton at the loan rate?
   (a) zero million pounds
   (b) 15 million pounds
   (c) 40 million pounds
   (d) 55 million pounds

19. This government program will cost taxpayers:
   (a) nothing
   (b) $22 million
   (c) $28.6 million
   (d) can’t say; insufficient information

20. Under this government program, how much will producers receive?
   (a) $63 million
   (b) $65 million
   (c) $72.8 million
   (d) $93.6 million

21. The information below pertains to agricultural prices for a particular commodity.

<table>
<thead>
<tr>
<th>TARGET PRICE</th>
<th>MARKET PRICE</th>
<th>LOAN RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.50 per bushel</td>
<td>$2.75 per bushel</td>
<td>$1.95 per bushel</td>
</tr>
</tbody>
</table>

According to this information, what is the deficiency payment per bushel for this commodity?
   (a) $0.00
   (b) $0.25
   (c) $0.50
   (d) $0.75
22. If the government (federal or state) were to impose a lump-sum tax on a monopolist, what is likely to happen to the quantity produced of a commodity and the price charged relative to the situation where there is no lump-sum tax imposed?
   (a) The price would fall and the quantity produced would fall.
   (b) The price would fall but the quantity produced would rise.
   (c) No change in price or quantity produced would occur, only a reduction in profit.
   (d) No change in price, quantity produced, or profit would occur.

Questions 23 - 27 pertain to the following information supposedly collected on a particular country.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>$400 million</td>
</tr>
<tr>
<td>Government Expenditures</td>
<td>$200 million</td>
</tr>
<tr>
<td>Consumption Expenditures</td>
<td>$1000 million</td>
</tr>
<tr>
<td>Gross Private Domestic Investment</td>
<td>$300 million</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$100 million</td>
</tr>
<tr>
<td>Population</td>
<td>2 million</td>
</tr>
<tr>
<td>Implicit GDP Price Deflator</td>
<td>2.00</td>
</tr>
<tr>
<td>Exports</td>
<td>$300 million</td>
</tr>
</tbody>
</table>

23. In the arena of international trade, this country is:
   (a) a net importer.
   (b) a net exporter.
   (c) neither a net importer nor a net exporter.
   (d) can’t tell; insufficient information

24. Nominal per capita GDP is equal to:
   (a) $1400 million.
   (b) $700 million.
   (c) $700
   (d) can’t tell; insufficient information

25. Real GDP is equal to:
   (a) $700 million.
   (b) $1300 million.
   (c) $1400 million.
   (d) can’t tell; insufficient information

26. Nominal NNP is equal to:
   (a) $700 million.
   (b) $1300 million.
   (c) $1400 million.
   (d) can’t tell; insufficient information

27. Which of the following statements is true?
   (a) This country is incurring a surplus.
   (b) This country is incurring a deficit.
   (c) This country is experiencing a balanced budget.
   (d) can’t tell; insufficient information.
Questions 28 - 31 pertain to the following diagram.

![Diagram](image.png)

Assume the curves depict the aggregate demand (AD) and aggregate supply (AS) curves for a particular economy. Let $15$ trillion correspond to the full employment level of aggregate output (the targeted or desired level) for this particular economy, and let $12$ trillion correspond to the equilibrium level of GDP.

### 28. This economy is:
- (a) experiencing an inflationary gap of $3$ trillion.
- (b) experiencing a recessionary gap of $3$ trillion.
- (c) experiencing a recessionary gap of $5$ trillion.
- (d) experiencing an inflationary gap of $5$ trillion.

### 29. To eliminate the gap described in the previous question:
- (a) the tax rate should be lowered.
- (b) government expenditures should be lowered.
- (c) interest rates should be lowered.
- (d) (a) and (c)

### 30. Which of the following statements is (are) true?
- (a) The depression range of the aggregate supply curve is given by AB.
- (b) The potential GDP for the country is $20$ trillion.
- (c) The classical range of the aggregate supply curve is given by CD.
- (d) All of the above.

### 31. The price level in the above diagram corresponds to the implicit GDP price deflator. What is the inflation rate as we move from a $12$ trillion GDP to a $15$ trillion GDP?
- (a) 16 percent
- (b) 20 percent
- (c) 25 percent
- (d) can’t tell; insufficient information.

### 32. Which of the following statements is (are) true?
- (a) The Federal Trade Commission (FTC) is the government agency charged with the responsibility of investigating business organizations and practices.
- (b) The FTC was part of the Sherman Antitrust Act of 1890.
- (c) The Robinson-Patman Act of 1936 covered price discrimination practices.
- (d) (a) and (c)
33. Suppose that the own-price elasticity of domestic demand for wheat is -0.6 and that the own-price elasticity of foreign demand is -1.5. Also, suppose that the market share for foreign use of wheat is 30 percent. What is the own-price elasticity of total demand?
   (a) -1.23
   (b) -1.00
   (c) -0.87
   (d) can’t say; insufficient information

Questions 34, 35, and 36 pertain to the graph to the right.

34. The diagram above describes what kind of agricultural program?
   (a) Set Aside
   (b) Domestic Demand Expansion
   (c) Conservation Reserve Program
   (d) Expanding Export Demand

35. The change in producer surplus is given by:
   (a) 5-2
   (b) 2+3
   (c) -2-3
   (d) -2

36. The change in domestic consumer surplus is given by area(s):
   (a) 5-2
   (b) 2+3
   (c) -2-3
   (d) -2

37. Which of the following statements is (are) true?
   (a) The purchase of a used tractor is included in GDP.
   (b) Expenditures on national defense are not included in GDP.
   (c) The Nutritional Labeling and Education Act of 1990 was responsible for the creation of health claims on food products.
   (d) none of the above.
38. Which of the following is (are) true?
   (a) The Packers and Stockyards Act of 1921 reinforced antitrust laws regarding the marketing of livestock.
   (b) The Cooperative Marketing Act of 1926 permitted farmers to acquire and exchange price and market information.
   (b) The Capper-Volstead Act of 1922 was the principal legislation exemption cooperatives form antitrust laws.
   (d) All of the above.

Questions 39 to 41 pertain to the consumption function for Mexico as illustrated in the graph below.

![Consumption Expenditure Graph]

39. On the basis of this graph, the MPC in Mexico between points A and B is equal to:
   (a) 0.1
   (b) 0.8
   (c) 0.9
   (d) can’t tell; insufficient information

40. On the basis of this graph, the MPS in Mexico between points A and B is equal to:
   (a) 0.1
   (b) 0.8
   (c) 0.9
   (d) can’t tell; insufficient information

41. Suppose the consumption function for Mexico shifts upward from \( C_0 \) to \( C_1 \). Which of the following statements is (are) a reason(s) for this upward shift?
   (a) decrease in taxes paid by Mexicans
   (b) decrease in Mexican interest rates
   (c) decrease in wealth of Mexicans
   (d) (a) and (b)

42. Which of the following corresponds to a supply management program?
   (a) marketing quota
   (b) National School Lunch or School Breakfast program
   (c) use of corn to make ethanol
   (d) (b) and (c)

43. Which of the following describes the real roots of the farm problem?
   (a) interest sensitivity of the agricultural sector
   (b) own-price elasticity of demand for farm products is elastic
   (c) lack of market power by agricultural producers
   (d) all of the above
44. Which of the following is (are) **true**?
   (a) Government price supports will always make producers and consumers better off.
   (b) The GDP excludes exports and imports.
   (c) Because food security and safety are major concerns for consumers, government intervention occurs in agriculture and agribusiness.
   (d) (a) and (c)

45. The supply curve for agricultural products shifts to the right more than the corresponding demand curve. This phenomenon is known as:
   (a) asset fixity
   (b) the treadmill problem
   (c) excess capacity
   (d) none of the above

46. The father of modern macroeconomics is:
   (a) Thomas Malthus
   (b) John Maynard Keynes
   (c) Ben Bernanke
   (d) Simon Kuznets

Questions 47 and 48 pertain to the planned investment function for Argentina as illustrated in the following graph.

![Graph](graph.png)

47. The MIS for Argentina between points A and B is equal to:
   (a) $30 billion.
   (b) $1/30 billion.
   (c) -$30 billion.
   (d) -$1/30 billion.

48. The leftward shift in the planned investment function from $I_0$ to $I_1$ may be attributed to:
   (a) a rise in interest rates.
   (b) a decrease in taxes.
   (c) a pessimistic view of profit expectations.
   (d) (a) and (c)
Question 49 pertains to the following graph.

49. In the diagram above, suppose the government imposes a price ceiling of $23. The total revenue the monopolist will accrue is:
   (a) $600
   (b) $1,000
   (c) $1,150
   (d) can’t tell; insufficient information

50. On economic grounds, U.S. beef producers should support legislation to:
   (a) increase exports of beef to Latin America
   (b) continue the commodity checkoff program for beef
   (c) continue to support tax cuts to consumers and businesses
   (d) all of the above

Question 51 pertains to the following information.

<table>
<thead>
<tr>
<th>Personal Income</th>
<th>DPI</th>
<th>Consumption Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$80,000</td>
<td>$70,000</td>
<td>$65,000</td>
</tr>
<tr>
<td>$120,000</td>
<td>$100,000</td>
<td>$90,000</td>
</tr>
</tbody>
</table>

51. Which of the following is (are) true?
   (a) When DPI = $100,000, taxes = $30,000.
   (b) The MPC is 5/6.
   (c) When DPI =$70,000, savings = $5,000.
   (d) (b) and (c)

52. Which of the following statements is (are) false?
   (a) If the MPC = 0.8, then the MIS = 0.2.
   (b) The equilibrium level of national output occurs where aggregate demand equals aggregate supply.
   (c) The most volatile component of GDP is gross private domestic investment.
   (d) (a) and (c)
53. Which of the following statements is (are) **false**?
   (a) The U.S. Department of Agriculture collects data about GDP and its components.
   (b) Consumption expenditures represent about 70 percent of GDP.
   (c) Government expenditures are the smallest component of GDP.
   (d) (a) and (c)

54. If a farmer could exchange a bale of cotton for a pair of overalls in 1910-1914, he/she should be able to make the same exchange today. This concept is known as:
   (a) asset fixity
   (b) parity
   (c) the treadmill problem
   (d) none of the above

55. Which of the following statements is **true**?
   (a) under government intervention, the target price is always above the loan rate.
   (b) under government intervention, the loan rate is always above the market price.
   (c) under government intervention, the target price is always above the market price.
   (d) under government intervention, the market price is always above the loan rate.

56. Given the graph below:

   ![Graph](image)

   Which of the following statements is (are) **true**?
   (a) This graph depicts a marketing quota, given by B.
   (b) This graph depicts the set-aside program.
   (c) This graph pertains to supply control measures for tobacco and peanuts.
   (d) (a) and (c)

57. The current deficit of the U.S. economy exceeds a trillion dollars. To eliminate this deficit:
   (a) government expenditures should be reduced.
   (b) the current tax rate should be lowered.
   (c) (a) and (b)
   (d) none of the above.

58. Which of the following target prices is correct?
   (a) wheat: $2.94/bushel    (c) rice: $6.50/cwt (hundredweight)
   (b) cotton: $0.7125/pound   (d) none of the above

59. According to the philosopher Thomas Malthus,
   (a) government intervention in the agricultural sector is undesirable politically.
   (b) the population grows at a geometric rate, but food production grows at an arithmetic rate. Thus, the time eventually will come when it is impossible to feed the world.
   (c) the population grows at an arithmetic rate, but food production grows at an geometric rate. Consequently, there will never come a time when it is impossible to feed the world.
   (d) none of the above.
60. Which of the following items is (are) included in GDP?
   (a) the purchase of farmland
   (b) expenditures associated with illegal activities.
   (c) expenditures for fire and police protection.
   (d) both (a) and (c).

61. Which of the following statement(s) is (are) true?
   (a) Fiscal policy refers to changes in taxes and government expenditures.
   (b) Agricultural checkoff programs, if successful, are demand expansion programs.
   (c) A goal of macroeconomic policy is to eliminate inflationary or recessionary gaps when they occur.
   (d) All of the above.

62. Which of the following is not a factor affecting the consumption function?
   (a) interest rates
   (b) technology
   (c) wealth
   (d) taxes

63. Which of the following statement(s) is (are) true?
   (a) Farm conditions in the United States would be improved if the U.S. were to discontinue all supplemental food programs.
   (b) Net exports can never be negative.
   (c) Consumption expenditure is the largest component of GDP.
   (d) (a) and (c)

64. The arrangement among producers and processor of agricultural commodities in which the chief goal is to improve income is called:
   (a) collusion.
   (b) a marketing order.
   (c) non-price competition.
   (d) a cartel.

65. Measure to lessen the possible adverse effects of imperfect competition are known as:
   (a) marketing orders
   (b) countervailing actions
   (c) non-price competition
   (d) barriers to entry

66. Which of the following statement(s) is (are) true about target prices?
   (a) The target price is the basis for agricultural deficiency payments.
   (b) The target price for a commodity guarantees that farmers will make profits.
   (c) During the Federal Agricultural Improvement Reform Act (FAIR Act) of 1996, target prices were not part of agricultural policy.
   (d) (a) and (c).
Use the following graph to answer questions 67-69.

A 67. What is the equilibrium quantity of input used and what is the price paid per unit under the condition of monopsony?
   (a) $Q_{\text{Labor}} = 1000$  $P_{\text{Labor}} = $4.50
   (b) $Q_{\text{Labor}} = 1000$  $P_{\text{Labor}} = $7.00
   (c) $Q_{\text{Labor}} = 1500$  $P_{\text{Labor}} = $5.25
   (d) can’t tell; insufficient information

C 68. What is the equilibrium quantity of labor used and what is the price paid per unit under the condition of perfect competition?
   (a) $Q_{\text{Labor}} = 1000$  $P_{\text{Labor}} = $4.50
   (b) $Q_{\text{Labor}} = 1000$  $P_{\text{Labor}} = $7.00
   (c) $Q_{\text{Labor}} = 1000$  $P_{\text{Labor}} = $5.25
   (d) can’t tell; insufficient information

A 69. What is the magnitude of monopsonistic exploitation?
   (a) $0.75$
   (b) $1.75$
   (c) $2.50$
   (d) can’t tell; insufficient information

A 70. Which of the following statements is (are) false?
   (a) To combat an inflationary gap, taxes should be lowered.
   (b) The CRP is one example of a supply management program.
   (c) To combat a recessionary gap, net exports should be increased.
   (d) None of the above.