

Exam 1  
AGEC 1113 w/ Norwood  
Spring 2017

**Version *alternative***

Name \_\_\_\_\_

Credit Card Number \_\_\_\_\_

**Make absolutely sure you write the version of your exam at the top of your scantron.**

**Make absolutely sure you enter your correct CWID on your orange scantron sheet, and your name also.**

**You don't need to put the course number or section number on the scantron.**

**Please mark all your answers on the orange scantron sheet.**

## Prediction Markets

For questions 1 through 4 assume the following market: Consider a futures contract that is worth \$10 if OSU beats Iowa in men's basketball on Feb 22. It is worth zero otherwise.

1. If you believe OSU has a 35% chance of winning, you should be willing to...
  - a. Buy and/or sell at \$3.5
  - b. Sell and/or buy at less than \$3.5
  - c. Sell and/or buy at more than \$3.5
  - d. Sell at less than \$3.5 and/or buy at more than \$3.5
  - e. Buy at less than \$3.5 and/or sell at more than \$3.5
2. If someone submits a buying price of \$6, that means they believe the chances of OSU winning are
  - a. Greater than 60%
  - b. Less than 60%
  - c. Equal to 60%
  - d. None of these
3. If you sell a contract for \$6 and OSU wins, what are your profits?
  - a. You earn \$6
  - b. You lose \$6
  - c. You earn \$4
  - d. You lose \$4
  - e. You earn \$14
4. If you sell a contract for \$4 and then buy a contract for \$7, and OSU wins, what are your profits?
  - a. You earn \$3
  - b. You lose \$3
  - c. You earn \$7
  - d. You lose \$7
  - e. You lose \$4
5. If someone sells a July 2017 Wheat futures contract, hoping to sell the same contract later at a higher price, they are
  - a. Going long
  - b. Going short
  - c. Offsetting
  - d. Transcribing
  - e. There is no term for this, or, this strategy does not make sense
6. *True or False?* In order for someone to sell a July 2017 Wheat futures contract they must first buy 5,000 bushels of wheat
  - a. True
  - b. False
7. How much is a bushel?
  - a. 38 lbs
  - b. 52 lbs
  - c. 10 gallons
  - d. 9.3 gallons
  - e. 100 kilograms

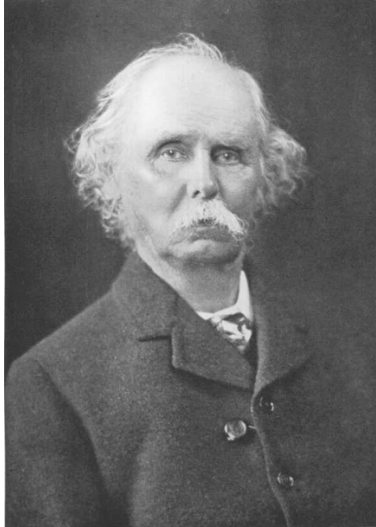
## Chapter 1

8. When Louis XV, King of France, followed the advice of his *Les Économists*, it benefitted the economy for a while but eventually led to food problems. What was this advice that he followed?
  - a. Allow free trade and flexible prices.
  - b. Erect restrictions to trade and prices set by the government.
  - c. Allow free trade within France but strict restrictions on trade internationally.
  - d. Printing of money to pay for government services.
  - e. The conversion of paper to gold and silver currency.
9. Adam Smith is considered the founder of modern economics through the writing of his book
  - a. Principles of Economics
  - b. Principles of Oikonomia
  - c. Economic Harmonies
  - d. Wealth of Nations
  - e. The Republic
10. Economics, according to Dr. Norwood, has a particular interest in making self-interest
  - a. A prime motivator of behavior
  - b. A central tenet in public policy
  - c. Relevant in private affairs but not public affairs
  - d. Harmonious with social interest
11. To encourage sustainable fishing, we tried limiting the days in which people could catch fish, but this didn't work because
  - a. Fishermen learned to work together and surround fish populations during these days, resulting in very large fish catches during those days.
  - b. Fishermen invested in better equipment that would allow them to increase their catch of fish during those days.
  - c. There was a backlash of consumers because certain fish were only available for part of the year.
  - d. Fishermen became intensely competitive and began sabotaging each other's efforts

12. What is the term for a situation where a resource is shared, but some individuals exploit the resource at the expense of everyone?
- a. Rival exploitation
  - b. Free-riders run amock
  - c. Travesty of public property
  - d. Calamity of the sharing
  - e. **Tragedy of the commons**
13. The case of reindeer grazing lands in Finland proves that you cannot expect large groups of people to be able to properly coordinate the use of a shared resource
- a. True
  - b. **False**
14. What is this a map of?
- a. Patterns of wind sources for wind energy
  - b. Areas with significant soil erosion in the U.S.
  - c. The prairie grasslands of the Midwest where the Buffalo used to graze
  - d. **The Ogallala Aquifer**
  - e. The Midwestern steppes



15. Who is this economist below?
- a. Adam Smith
  - b. Todd Margaret
  - c. Lionel Robbins
  - d. Alfred Marshall

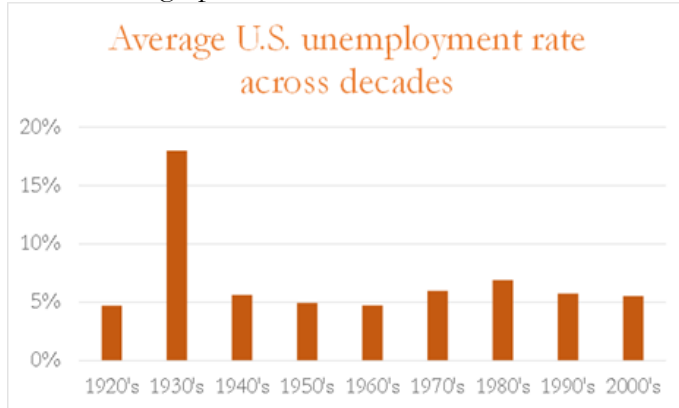


## Chapter 2

16. Looking back at the last century, when world population rises, the price of agricultural products
- a. Falls
  - b. Rises
  - c. Stays about the same
  - d. There is no relationship between population and ag product prices
17. The book *A History of World Agriculture* says that the recent rise in population was made possible through motorized, mechanized, and chemicalized agriculture.
- a. True
  - b. False
18. Which of the following cases experienced starvation partially due to the eradication of sparrows?
- a. Ancient Athens
  - b. 1920s Russia
  - c. 1950s China
  - d. The Pilgrims
  - e. Modern day Venezuela
19. The best measure of agricultural productivity is the amount of food produced per hour of labor
- a. True
  - b. False
20. Which of the following were ways the ancient Greeks dealt with a food supply that could not keep up with its rising population, according to Chapter 2?
- a. Send citizens to colonize other areas
  - b. Banning of meat production

- c. Forced rationing
  - d. Requiring different sized meals for Athenian citizens and Athenian slaves
21. Suppose each U.S. state adopts a local foods policy whereby each state prohibits imports of food from any other state or country. What kind of "game" does this describe?
- a. Positive-sum game
  - b. Negative-sum game
  - c. Zero-sum game
22. Both 1920s Russia and modern-day Venezuela experience(d) problems of food provision. What problem did they have in common?
- a. Attempted eradication of presumed pests, like sparrows
  - b. Communism
  - c. Reliance on local foods
  - d. Price controls
  - e. Reliance on urban agriculture
23. Which of the following items is particularly necessary for people and businesses to specialize?
- a. property rights
  - b. flexible markets
  - c. trade
  - d. decentralization
24. A crony-capitalist is someone who
- a. Makes much more money than the normal, successful person
  - b. Refuses to make much money in the idea that profits are immoral
  - c. Makes their money not through creating value for others but through political power
  - d. Makes money by exploiting developing nations with few workers' rights
25. Decentralization is important because \_\_\_\_\_ is dispersed throughout an economy
- a. Property
  - b. Prices
  - c. Specialization
  - d. Information
  - e. Cultural norms

26. The graph below illustrates what about Creative Destruction?



- a. Creative Destruction really does destroy more jobs than it creates, creating unemployment.
  - b. Creative Destruction creates roughly as many jobs as it destroys, leaving unemployment rates roughly the same as an economy evolves.
  - c. Creative Destruction really only took on its current meaning after the Great Depression
  - d. Creative Destruction and the labor market are unrelated
27. In the U.S. about \_\_\_\_\_ of households have serious food security problems.
- a. 0.5%
  - b. 1%
  - c. 2.5%
  - d. 5%
  - e. 10%
28. In North Korea today
- a. Citizens rely on market exchanges for food
  - b. Citizens rely on government collective farms for food
  - c. Citizens rely on government supply stores for food
  - d. All food comes from international aid

29. What is the main reason the Irish starved during the period 1845-1850, according to Chapter 2?
- The British would not allow any crop except potatoes to be planted in Ireland
  - British landlords decided to export much of Ireland's food production instead of letting the Irish consume it
  - A fungal infection destroyed much of its potato production
  - An Irish cultural rejection of almost all foods except the potato
  - Price controls
30. Why are much of Mongolian grasslands being destroyed?
- Excessive grazing of yaks
  - Excessive burning of grasslands
  - Excessive grazing of cashmere goats
  - Insufficient fertilization of grasslands
  - Soil erosion
31. Which of the following cultural change is associated with the Great Enrichment?
- Better awareness of natural resources
  - Acceptance of fossil fuels as an energy source
  - Fondness for public school systems
  - Belief in equality of people
32. In response to food provision problems in Venezuela the current president urged households to
- Send letters to Cuba requesting food aid
  - Reduce their consumption of food by 25%
  - Begin producing their own eggs by raising chickens
  - Ask Pope Francis for prayers



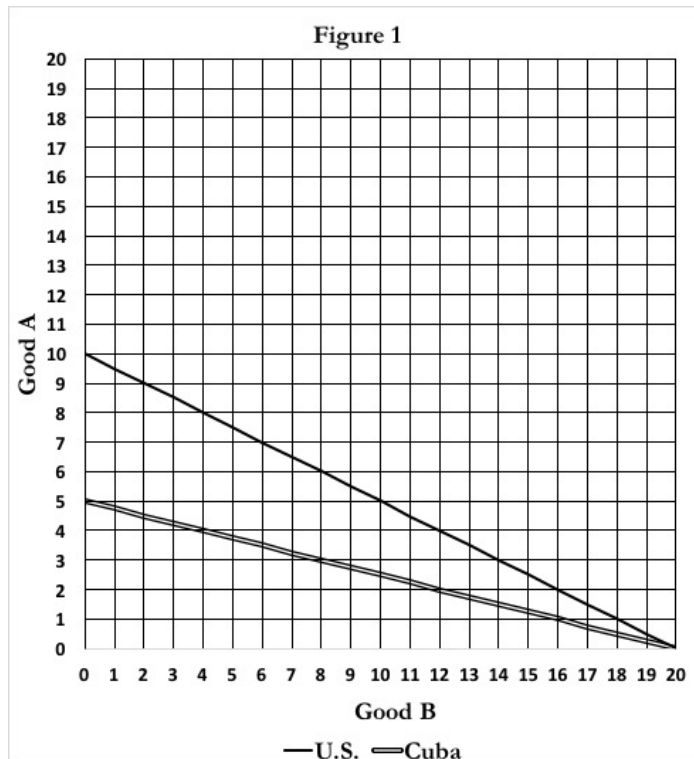
### Chapter 3.2

33. If the price of good A is \$80 and the price of good B is \$20, what is the opportunity cost of good A in terms of good B?

- \$80
- 20 units of good B
- 100 units of good B
- 4 units of good B
- 1/4 units of good B

34. In Figure 1 to the right, what is the PPF of U.S.?

- $A = 20 - 1(B)$
- $A = 20 - 2(B)$
- $A = 10 - 2(B)$
- $A = 10 - 0.5(B)$
- $A = 10 - 1(B)$

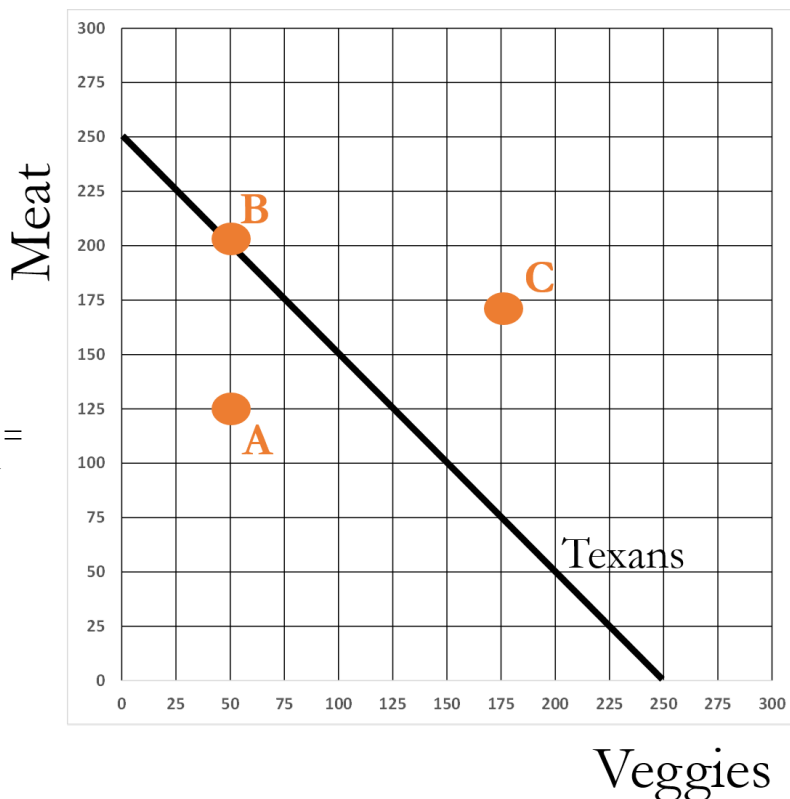


35. In Figure 1 to the right, what is the PPF of Cuba?

- $A = 5 - 5(B)$
- $A = 5 - 4(B)$
- $A = 5 - (0.2)(B)$
- $A = 5 - (0.25)(B)$
- $A = 5 - (1/20)(B)$

36. In the figure to the right, which are the infeasible points of production?

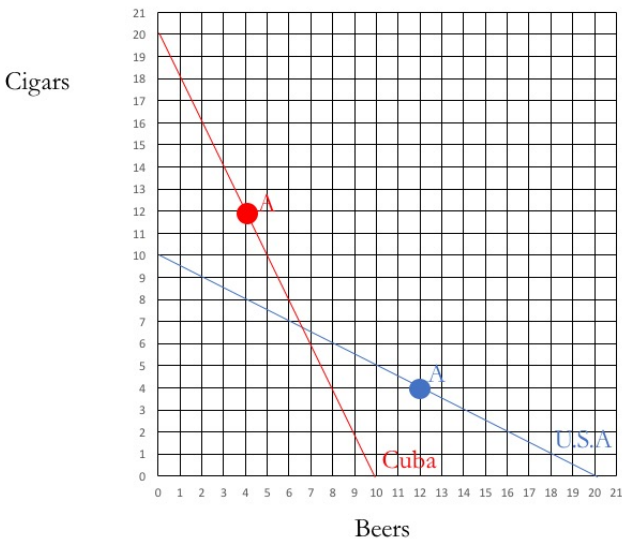
- A only
- B only
- C only
- A and B
- B and C



37. If a group has the PPF,  $A = 10 - 2(B)$ , the opportunity cost of B is

- 2 units of A
- 2 units of B
- 1/2 units of A
- 1/2 units of B
- 12 units of A

38. If a group has the PPF,  $A = 10 - (1/2)(B)$ , the opportunity cost of A is
- 2 units of A
  - 2 units of B
  - $1/2$  units of A
  - $1/2$  units of B
  - 12 units of A
39. A country has a comparative advantage in the production of sugar, compared to another country, if it can
- Produce more of that sugar
  - Produce the sugar at a lower opportunity cost
  - Can produce more of the sugar without giving up production of other goods
40. Two countries, trading two goods, are said to gain from trade if ...
- At least one country gets more of both goods
  - They both get more of both goods
  - They both get a larger number of total units of all goods
  - They both get more of at least one good without giving up any units of the other good
  - Each gets more units of one good than they give up in another good
41. In the graph below, point A refers to autarky for the U.S. and Cuba. If they engaged in trade, how much beer will the U.S. produce, and how many cigars will Cuba produce.
- U.S. = 20 Beers, Cuba = 10 Cigars
  - U.S. = 10 Beers, Cuba = 10 Cigars
  - U.S. = 10 Beers, Cuba = 20 Cigars
  - U.S. = 20 Beers, Cuba = 20 Cigars



42. Trade between countries is considered a zero-sum game because someone always loses from trade.
- True
  - False

## Trade Considerations

43. In reality, exports from a country are always less than its imports
  - a. True
  - b. False
44. The Jeep Patriot got its name because it is the car with the most American-made parts.
  - a. True
  - b. False
45. Which of the following is NOT an objective of the Food Sovereignty movement?
  - a. A country's right to determine its own food supply
  - b. A country's right to export food to any region without tariffs
  - c. Sustainable agricultural practices
  - d. Right to culturally appropriate food
46. What destroyed India's artisan cooking oil industry?
  - a. New sanitation rules by the World Trade Organization
  - b. Smear campaigns by multinational corporations
  - c. New rules enacted by the Indian government
  - d. Trade sanctions issued by the United Nations
47. What would happen to the price of wheat if the U.S. no longer imported from other countries?
  - a. It would fall
  - b. It would rise
  - c. It would remain the same
48. Why is there a Food Sovereignty movement in northeastern states like Maine and Vermont?
  - a. So that small farmers can sell directly to consumers without having to abide by food health laws
  - b. So that the northeast can avoid high grain diets
  - c. To force big food corporations to abide by the same laws as small farmers

**49 & 50. This question is worth a total of seven points.** In the space below, describe the seven factors discussed in Chapter 2 regarding what it takes to feed a large nation. Both list the seven factors and provide a brief explanation of why they are important in producing a sufficient amount of food for everyone.