Section IV – Ten Questions

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1. Assume that the equilibrium in market 1 is $p_1 = 1.50$ and $q_1 = 175.0$, while the equilibrium in market 2 is $p_2 = 0.75$ and $q_2 = 225.0$. If these markets are allowed to trade
   a. Market 1 will export to market 2.
   b. Market 2 will export to market 1.
   c. The markets will exist in autarky.
   d. It is impossible to tell.
2. Next, assume that the elasticity of supply in market 1 is 0.25 while the elasticity of demand in market 1 is -0.35, derive the excess demand in market 2 (check the demand for $p_1 = 1.50$)

3. Assuming that the elasticity of supply in market 2 is 0.20 and the elasticity of supply is -0.45, the excess supply curve in market 2 is

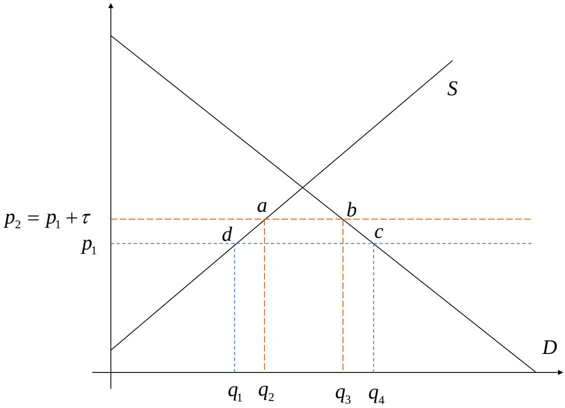
$$ES(p) = -145.25 + 195p; \tag{1}$$

therefore, the trade prices is

   a. 1.500
   b. 0.750
   c. 0.878
   d. 0.953

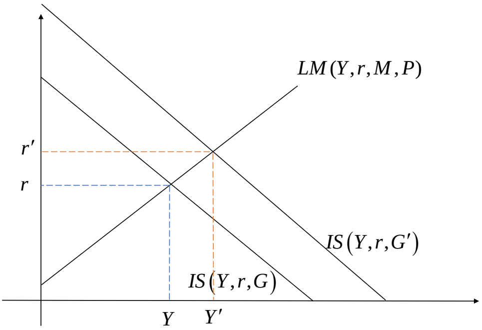
4. What is the quantity traded?
5. What is the quantity traded if the government in market 2 imposes a tariff of 0.05/unit imported?

Small Country Assumptions



Small Country Questions

6. Assuming a world market price of p_1, the small country imports
   a. q_4
   b. $q_4 - q_1$
   c. $q_3 - q_2$
   d. $q_3 - q_1$
7. If the government imposes a tariff of τ on imports, the change in consumer welfare is
   a. A gain of p_2adp_1
   b. A loss of $abcd$
   c. A loss of p_2bcp_1
   d. None of the above


$LM(Y,r,M,P)$
r'
r
$IS(Y,r,G')$
$IS(Y,r,G)$
Y
Y'

8. The graph on the proceeding slide demonstrates the effect of
   a. Increasing governments spending on the economy considering taxation and increased government borrowing.
   b. Increased money supply and the offsetting effect of the foreign capital market.
   c. The effect of the natural rate hypothesis
   d. None of the above.
9. The impact of macroeconomics shifts are likely to affect agriculture through
   a. Increases in Income
   b. Changes in the interest rate
   c. Changes in the exchange rate
   d. b and c

10. Macroeconomics typically affects agricultural trade by
    a. The effect of income and interest rates on net exports (the current account)
    b. The effect of interest rates on demand for investments in the U.S. economy (the capital account)
    c. The actions of the International Monetary Fund
    d. a and b.