PART II. (90 points maximum)

A. **Multiple-choice questions** (select the most correct response for 2 points each; partial credit may not be awarded):

1. Changes in technology, price of inputs, and weather are:
   a. demand shifters.
   *b. supply shifters.
   c. are irrelevant to policy makers.
   d. have no impact on supply and demand.

2. The principle that justifies policy change if those who are improved can more than compensate those who are made worse off is termed:
   a. externalities & market failure.
   *b. the compensation principle
   c. pareto optimality.
   d. the fallacy of composition.
   e. entitlement
   f. both d and e
   g. none of the above

3. Identify the 2 US senators representing Oklahoma, and the Oklahoma Congressional representative on the House Ag Committee:
   a. Senators Coburn & Watts; Representative Watkins
   b. Senators Inhofe & Watkins; Representative Nickles
   c. Senators Coburn & Inhofe; Representative Watkins
   *d. Senators Coburn & Inhofe; Representative Lucas

4. The power cluster model suggests that:
   a. the power behind decisions is the kingmaker group
   *b. key issues are spheres of influence that attract various interest groups to affect public policy
   c. the 3 key players are interest groups, Congress and the Executive Branch (President & his Cabinet)
   d. issues are driven by the dynamics between proponents and opponents.
   e. all of the above
   f. none of the above
5. Public policy is
   a. developed only by scientific analysis.
   b. concerned only with individual problems.
   c. a cynical group dynamic process.
   *d. developed through compromise in the political arena.

6. The fallacy of composition could help policy makers better understand why aggregate changes that result from policy are important. The fallacy is best explained by the following statement:
   a. when producers don’t pay for pollution beyond the farm.
   b. when government responds to disasters such as hurricanes.
   *c. when each farmer pursues individual goals and the result is that all farmers are made worse off.
   d. when supply and demand are in equilibrium.
   e. when supply and demand are not in equilibrium.
   f. when farmers engage in poor planning.

7. Government intervention in agriculture, Knutson says, is a primary response to
   *a. market failure
   b. the UN
   c. war
   d. Congress
   e. concentration
   f. any of the above
   g. none of the above

8. Population change, income changes and changes in tastes and preferences are:
   *a. demand shifters.
   b. supply shifters.
   c. are irrelevant to policy makers.
   d. have no impact on supply and demand.
   e. all of the above.

9. Assume you’re hired by the Oklahoma Cattlemens Assn. to keep track of relevant government legislation. Feed grains (see the glossary) are an input to the production of beef. If changes in government programs causes feed grain prices to increase, how will that likely impact the beef market, assuming all other factors remain constant:
   a. Supply of beef will increase, causing price of beef to increase.
   b. Supply of beef will decrease, causing price of beef to decrease.
   *c. Supply of beef will decrease, causing price of beef to increase.
   d. Supply of beef will increase, causing price of beef to decrease.
   e. Demand for beef, rather than supply, will change.
10. Twice during lectures Sanders provided, according to Douglas Adams, “the meaning to life, the universe and everything” as:
   a. life itself
   *b. 42
   c. class notes
   d. Knutson’s text
   e. no such silliness

11. According to lecture, a _______ is something known with certainty, while a _______ describes what people really think.
   a. fact, value
   *b. fact, belief
   c. belief, myth
   d. goal, objective
   e. none of the above

12. A(n) _______ believes that the foundation of all real wealth is the land & its productive capacity.
   *a. Agricultural fundamentalist
   b. Stabilizer
   c. Planner
   d. Free marketeer
   e. any of the above, depending on the era and farm problem
   f. none of the above

13. Assuming all other factors are held constant, supply will decrease, causing price to increase when:
   *a. a farm policy encourages farmers to decrease yield of a crop.
   b. a farm policy encourages foreign customers to buy more crop.
   c. a farm policy gives a subsidy to crop producers.
   d. the free market signals that input costs are falling.
   e. any of the above actions occur.

14. Primary US agricultural policy goals/objectives, according to lecture, include all the following, except:
   a. protect farmers from market instability
   *b. get higher prices for farmers and ranchers
   c. maintain food supply at reasonable prices
   d. agricultural exports are encouraged to pay for growth in productivity in ag and general economy
   e. no; all of the above are primary US agricultural policy goals/objectives, according to lecture.
15. The guest speaker representing Oklahoma Farm Bureau was _____________
       and ________________ represented Oklahoma Farmers Union.
   a. Kim Anderson, Joe Lyde
   b. Mike Woods, Mike Smolen
   c. Jeramy Rich, Mason Mungle
   d. Tom Coburn, Brad Carson
   e. none of the above

16. Knutson’s position about the political power of agriculture has evolved, given
    recent history that suggests:
   a. agriculture does not need to share power
   b. agriculture still has considerable policy influence
   c. agriculture and agribusiness must carefully strategically plan for the future
   d. there is effectively no longer a power cluster for agriculture
   e. both b and c
   f. both a and c
   g. none of the above

17. According to Knutson and Sanders, the role of government is ___ policy issue for
   the farm problem of _____________________ and _____________________
   is the major cause.
   a. low incomes; inelastic supply and demand.
   b. politicians; taxation.
   c. subgovernment; inelastic supply & demand.
   d. concentration; technological economies
   e. none of the above.

18. Knutson refers to the “kings & kingmakers” model as the
   a. iron triangle
   b. influence triangle
   c. evolutionary process
   d. interdisciplinary model
   e. power cluster model
   f. all of the above
   g. none of the above

19. Which statement accurately describes the trend in US agriculture?
   a. The total number of farms has been and will continue to decline
      proportionately in the various economic classes.
   b. A bimodal distribution in production is emerging.
   c. The medium size family farm will continue to dominate US agriculture.
   d. The numbers of large farms and small part-time operations will increase
      as the medium-size operations are squeezed out.
   e. Both (b) & (d) are correct.
20. The ____________________ model discussed by Sanders and Knutson suggests a revolving door process where the dynamics between interest groups, Congress and the Executive Branch may be distorted by interest group leaders representing narrow interests moving into administrative agencies and Congress.
   a. power cluster
   *b. iron triangle
   c. advocacy
   d. logrolling
   e. none of the above

21. The list of functions that economics/economists in agricultural policy can perform do not include which of the following:
   *a. find the best policy.
   b. help develop problem solving alternatives.
   c. help analyze policy consequences.
   d. help in understanding the origin of problems.

22. The modern liberal perspective today, according to lecture, is represented by:
   a. public choice theory, new classical economics & monetarism.
   *b. neoclassical synthesis, welfare economics & post-Keynesian economics.
   c. fascist theory, corporatism & neoconservatism.
   d. institutional economics, democratic socialist theory & Marxist theory.

23. The ideology of technocratic paternalism and a mixed economy are the basis for what era?
   a. primitive era.
   *b. Contemporary era.
   c. Classical era.
   d. feudalism.
   e. industrial
   f. none of the above

24. One of the reasons the US has not been able to solve the so-called farm problem is because:
   a. The US abandoned the parity principle.
   b. The US deliberately followed a cheap food policy favored by big business and consumers.
   c. Monetary and fiscal policy is neutral in terms of the farm problem.
   *d. The farm population has been treated as a homogeneous group.
   e. both a and b
   f. All of the above.
   g. none of the above
25. When both the House and Senate have completed action on pending legislation the bills generally differ. These differences are resolved by:
   a. The Secretary of Agriculture
   b. The Office of Management and Budget
   c. The process of budget reconciliation
   *d. A conference committee composed of proportional representation from each political party including committee and subcommittee chairs and other senior influential members of Congress
   e. The President

26. Compared with other industries, instability is a major dimension in the farm problem because:
   a. Farmers do not deal with unstable circumstances very well.
   *b. The supply and demand of farm products are very inelastic—causing proportionally larger changes in price with changes in supply or demand.
   c. Agricultural prices are politically manipulated and do not respond to market forces.
   d. All of the above.
   e. None of the above.

27. Which of the following is not one of the 3 basic tenets of the agrarian ideology?
   a. Agriculture is the basic occupation of humankind.
   *b. Agriculture prices should be high enough to support rural life.
   c. Rural life is morally superior to urban life.
   d. A nation of small independent farmers is the proper basis for a democratic society.

28. Low incomes, financial stress, declining farm numbers and market position, according to Sanders, are categorized as:
   *a. past symptoms of the farm problem.
   b. current farm problems.
   c. current symptoms of the farm problem.
   d. low incomes and financial stress are past symptoms, and declining farm numbers and market position are current farm problems.

29. The "farm problem" is defined by its time, according to Sanders. The farm problem since the latter half of the 20th century has been occasionally characterized by:
   a. land to develop
   b. initial formation of Federal institutions
   c. surplus and excess capacity
   d. price instability
   e. both a & b
   *f. both c & d
   g. none of the above
30. Low incomes are not a current farm problem because:
   a. average farm household & nonfarm household income are now comparable.
   b. "commercial" farms do not usually have an income problem.
   c. on the contrary, low incomes are a current farm problem.
   *d. both a and b.
   e. no, low incomes are a current farm problem.

31. The traditional problem in agriculture, according to the text, is
   *a. instability of price and income
   b. low prices
   c. unfair trade
   d. aging farmers
   e. all of the above are traditional farm problems
   f. none of the above

32. An externality according to Knutson, is defined as a benefit or cost accruing to someone outside the market transaction, causing:
   a. lower production costs for the producer.
   b. production costs to be passed on to the consumer.
   *c. misallocation of resources that indicates market failure.
   d. benefits bought in the market by private consumers.
   e. all of the above

33. Assume you’re hired by Oklahoma Farm Bureau to evaluate a possible increase in government fuel subsidies to farms because of the hurricanes. Assuming all other factors remain constant, the initial likely impact would be:
   a. Supply of farm production will increase, causing a general increase in the price of farm output.
   b. Supply of farm production will decrease, causing a general increase in the price of farm output.
   *c. Supply of farm production will increase, causing a general decrease in the price of farm output.
   d. Supply of farm production will decrease, causing a general decrease in the price of farm output.
   e. Demand for farm production, rather than supply, will change.
B. **Fill-in-the-blank & Short answers** (unless otherwise noted, "briefly" means 1-3 sentences):

34. Briefly (2 sentences each) summarize key points from the guest speaker from (a) OFB, and the guest speaker from (b) OFU (4 points total).
   
   a. **discuss what he said about**: representing ag values, being conservative, ethanol, court cases such as eminent domain, job duties as a lobbyist, the markets and how impacted by hurricanes

   b. **discuss what he said about**: ethanol, cooperatives and value-added, how his organization works with other farm groups on behalf of OK ag, the energy title in the next farm bill, animal ID & COOL, job duties as a lobbyist

35. **Briefly define**"public policy" as it relates to agriculture based on Knutson and Sanders (2-4 sentences). (5 points)

**Knutson**: Ag policy is a course of action or guiding principle pursued by government in production, resources utilized in production, marketing, and consumption of food and rural America conditions.

**Sanders**: Whatever government chooses to do or not do regarding ag.
36. In the take-home essay question #1, you were asked to imagine a modern day version of Brueghel’s “Haymaking” painting of the 16th century. Briefly review the trends you would try to include (4 points).

37. Match 2 and only 2 USDA agencies on the right with each functional area on the left. Spell out the name of the agency (penalty for incorrectly guessing). Some listed agencies will not match up. (4 points total)

<table>
<thead>
<tr>
<th>AREAS</th>
<th>AGENCIES</th>
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<tbody>
<tr>
<td>Farm &amp; Foreign Ag Services</td>
<td>AMS</td>
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<tr>
<td>–Farm Service Agency</td>
<td>FAS</td>
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<tr>
<td>–Foreign Ag Service</td>
<td>FSA</td>
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<tr>
<td>–Animal &amp; Plant Health Inspection Service</td>
<td>EPA</td>
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<tr>
<td>Marketing &amp; Regulatory Services</td>
<td>ARS</td>
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<tr>
<td>–Ag Marketing Service</td>
<td>ERS</td>
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</tbody>
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38. Using the glossary or lecture notes, define the term family farm (3 points):

(1) produces ag commodities for sale in sufficient Q;
(2) produces enough income to pay expenses & maintain property;
(3) managed by operator;
(4) substantial labor by family;
(5) may use seasonal labor.

Farm - $1,000 sales of farm production per year
PART I: ESSAY. Respond briefly to the following question. Values (points) are provided with each question segment. The total question is worth 10 points. Answer the entire question.

* Essay question one is a take home question.
* You may use your own class notes, text, assignments and handouts.
* Do not work with anyone else or anyone else’s material.
* The total answer will be no longer than than 2 pages typewritten and double-spaced, including hand-drawn charts and graphs. While there is no minimum length, it will be difficult to respond appropriately in less than 1 page typewritten and double-spaced. Do not submit hand-written answers. Graphs may be neatly hand-drawn and labeled.
* Answer in the order of the questions, labeling each portion of your answer (a), (b), (c), etc. Use this sheet as a cover page.
* Answers will be turned in at the beginning of class Tuesday 27 Sep, 2005. No answers will be accepted after that time.
* Do not place your name on the exam answers. Instead, use the number system I explained in class.
* Students with special needs verified by the university will meet with Sanders to discuss accommodation.

Sanders discussed Pieter Brueghel’s “Haymaking” painting of the 16th century, explaining how it does a remarkable job in depicting the watershed of transition from feudalism to capitalism, especially as it related to agriculture. Using the concepts and information you have learned in class will improve your response.

a. If you were to paint a depiction of today’s agriculture, what would you include in the painting and why (4 points)?

b. Include some discussion of the evolving farm problem and what you anticipate to be the key issues (3 points).

c. Also, include a discussion of your understanding of the government’s role as the events in your painting seem to be unfolding (3 points).
a. Reference to some of these points/concepts:

Watershed—yes or no & explain.

One method for organizing “painting”--

Political change: farms more or less influential
increasing dependence on Government
bioterrorism

Economic change: trend toward concentration, industrialization
decline in mid-size farms
instability of price, income
technological change
global change
environment/natural resource changes/challenges

Social change: rural community changes
demographic changes
farm family changes
public removed from connection with agriculture

Also, discuss the transition to the “information society” where technocrats are more influential.

b. discuss the “farm problem” should be discussed as at least instability & its cause(s), but also diversity, resource scarcity & externalities, & food security.

Don’t turn symptoms into problems.

c. discuss the role of govt: should they give support? How? To whom—farmers, consumers, agribusiness, etc.? should we have a free market? If so, who will benefit?