PART II. (90 points maximum)

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

1. 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

2. 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

3. 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.

4. 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.

5. 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.
6. 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.

7. 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.

8. 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

9. 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.

10. 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
11. Compared with other industries, instability is a major dimension in the farm problem because:
   a. Agricultural prices are politically manipulated and do not respond to market forces.
   b. Farmers do not deal with unstable circumstances very well.
   *c. The supply and demand of farm products are very inelastic—causing proportionally larger changes in price with changes in supply or demand.
   d. All of the above.
   e. both a and c
   f. None of the above.

12. 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

13. According to Knutson and Sanders, the role of government is the 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.

14. The primitive era was based on an ideology of _____________ & and a _____________ economy.
   *a. ritual & taboos; reciprocity, redistribution & householding.
   b. Christian Paternalism; feudalism.
   c. Classical Liberalism; Capitalism.
   d. Technocratic Paternalism; mixed.

15. 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
16. 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

17. 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

18. 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.

19. 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 government programs support ethanol plants causing 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.

20. 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.
21. The ideology of technocratic paternalism and 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

22. 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.

23. 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

24. Inelasticity of supply and demand means that
   a. consumers and producers are not very responsive to price changes
   b. consumers and producers are very responsive to price changes
   c. Government distorts the market
   d. economists have nothing better to do
   e. none of the above

25. 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
26. Assume you’re hired by Oklahoma Farmers Union to evaluate possible subsidy support for a new wheat pasta cooperative in Oklahoma. Assuming all other factors remain constant, the initial likely impact would be:
   a. The action would be of no benefit to wheat producers who join the co-op.
   *b. The action would allow co-op members to capture some of the value-added profits, and be more competitive.
   c. The action would not allow co-op members to capture some of the value-added profits, and be more competitive.
   d. There is no way to evaluate the likely impacts.

27. Concentration is very low for most of
   a. the cattle feeding industry.
   b. hog production.
   c. the fertilizer industry.
   d. biotech seed industry.
   *e. crop agriculture.
   f. both b and d
   g. all of the above
   h. none of the above.

28. An externality according to Knutson, is defined as a benefit or cost accruing to someone outside the market transaction, causing:
   a. 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

B. **Fill-in-the-blank & Short answers** (unless otherwise noted, "briefly" means 1-3 sentences):

29. 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.
30. The "farm problem" is defined by its time, according to Sanders. Briefly discuss the evolution of the farm problem since the beginning of the 20th century (4 points).

(Lesson 4: Slides 4-5)
1950s & 1960s:
   Ag becoming mechanized & industrialized
   *Surplus & excess capacity; Labor surplus
   New groups compete for policy agenda—Agribusiness; commodity groups
1970s & 1980s:
   *Price instability & erratic cash flow
   “golden age” for ag in 1970s followed by farm recession/depression in 1980s
   Global trade/trade policy more important
   More new groups in policy debate—Consumers (diet); Labor; Welfare (nutrition); trade partners & competitors; other federal agencies
1980s-1990s:
   *Price instability, Bad weather, Weak markets; environmental issues; property rights
   More groups in policy mix—Environmental groups; Consumers (food safety; food quality; food chain); more govt agencies

(and a general statement about these changes and their effect on policy solutions.)

31. Using the glossary or lecture notes, briefly (1-2 sentences) define the following terms:

a. subsidy (2 points): tax rebate; incentive for artificial low prices

b. 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
32. 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. (6 points total)

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33. Identify the key “structural issues” as summarized in Lesson #4 lecture notes (5 points).

(Lesson 4: 22, supplement with a summary of 25 - 28 on the economic, social & political implications.) Discuss in complete sentences these points:

- **Number & Size of Farms (# stable w/bimodal)**
- **Family Farm Survival**
- **Ownership & Control of Resources (concentration up, contracting, integration)**
- **Control of Farm/Firm Decision making**
- **Market Power**
- **Management, Technology & Capital Organization of Agriculture**
- **Government’s Impact (10% get over 70% of support)**
- **Policy Options**
34. 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).

35. Sanders lectured on how the policy process works using "kings & kingmakers" and "power clusters". Sketch a diagram for each of these models and briefly discuss how it works, using an issue from your own experience or interest (5 points).

[see L1 & L2 for components of this answer]
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 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).
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.