The following set of review questions covers the topics and concepts that may be targeted by Exam I. Sources for information to answer these questions are the Knutson text, Sanders lectures, handouts, quiz, guest lectures and team exercises. Exam questions may be taken verbatim from this study guide and the quiz, or rewritten (multiple-choice questions may become short-answer or fill-in-the-blank, or short-answer questions may become multiple-choice questions, or the concepts in the multiple-choice questions and choices may be altered). Not covered by this study guide are the guest lectures. Exam questions will include these lectures.

Exam I will be given Tuesday, 27 Sep, 1230-145 p.m., and will be closed book, closed notes. Part I (10 points) will consist of 1 essay question. Part II (90 points) will consist of multiple-choice questions and short answer questions. *Students with special needs verified by the university will meet with Sanders to discuss accommodation.

PART II. (90 points maximum)

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

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

2. 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.
3. What/who is the agricultural establishment (power cluster)? Why do some argue that the agricultural establishment is losing its political power? How does this affect the operation of power cluster around agricultural issues?

4. Match five interest groups on the right with the appropriate lobby areas on the left. Be able to spell out any acronyms. There will be a penalty for guessing.

<table>
<thead>
<tr>
<th>LOBBY AREAS</th>
<th>INTEREST GROUPS</th>
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<tr>
<td>Producer Lobby</td>
<td>Sierra Club</td>
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<td>World Watch</td>
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<td>CFA</td>
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<td>Agribusiness Lobby</td>
<td>Labor unions</td>
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<td>Center for Science in the</td>
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<td>Public Interest</td>
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<td>Resource/Environment Lobby</td>
<td>American Bankers Assn.</td>
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<td>Grocery Mfg. of America</td>
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<td>Natl. Cattlemen's Beef Assn.</td>
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<td>Consumer Food Lobby</td>
<td>Food Mktng. Inst.</td>
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<td>Fertilizer Inst.</td>
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<td>Health Research Group</td>
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<td>Nutrition/Food Safety Lobby</td>
<td>Bread for the World</td>
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<td>Environmental Defense Fund</td>
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<td>The Humane Society</td>
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<td>Hunger Lobby</td>
<td>Natural Resources Defense Council</td>
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5. Briefly outline how the role of government has evolved in the past 75 years, according to class notes, and suggest what the public views as the appropriate role with respect to agriculture today.
6. The "farm problem" is defined by its time, according to Sanders. Briefly discuss the evolution of the farm problem since the early 1800s.

7. Explain the major cause of instability in farm prices and income. Briefly explain the reason(s) variability or instability become a greater problem in agriculture.

8. What does diversity have to do with resolving the farm problem?
9. Identify the key “structural issues” as summarized in Lesson #4 lecture notes.

10. Discuss the evolving “industrialization of agriculture” (what is occurring, how it is occurring & different types of integration). Include some of the statistics that indicate the level of concentration in some markets.
11. Using the glossary or lecture notes, briefly (1-2 sentences) define the following terms:
   a. basic commodities:
   
   b. pecuniary economies:
   
   c. infrastructure:
   
   d. subsidy:
   
   e. family farm:
   
12. Why is the elasticity of demand for farm products important from a policy perspective?
13. Briefly outline the public policy methodology, based on class notes, applying it to the topic you have chosen for your term paper.

B. **Multiple-choice questions** (select the most correct response; partial credit may not be awarded):

14. Forces of policy change include
   a. instability
   b. globalization
   c. technology
   d. food safety
   e. environment
   f. industrialization of agriculture
   g. politics
   h. unforeseen events
   i. all of the above
   j. a, b, g only
   k. none of the above

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

16. A ___________________ believes that the free market is unreliable and the government must coordinate production.
   a. Stabilizer
   b. Planner
   c. Agricultural fundamentalist
   d. Regulator
   e. Free marketeer
17. Sanders noted that agricultural policy and the policy process has become more complex over the past few decades, with more actors/agents at the policy table with farmers and ranchers, including:
   a. taxpayers
   b. environmentalists
   c. trade interests
   d. consumers
   e. all of the above
   f. none of the above

18. Sanders noted in lecture that the flow of spending in the economy suggests not only exchange markets, but ______________________, as well.
   a. the need for strong regulation
   b. public policy issues
   c. the need for unrestricted markets
   d. how to avoid natural disasters such as Katrina
   e. none of the above

19. The model of public policy decision making that suggests that key issues are spheres of influence that attract various interest groups to affect public policy is 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

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. help develop problem solving alternatives.
   b. help analyze policy consequences.
   c. find the best policy.
   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 contemporary era is based on an ideology of _______________ & and a __________ economy.
   a. ritual & taboos; reciprocity, redistribution & householding.
   b. Christian Paternalism; feudalistic.
   c. Classical Liberalism; Capitalistic.
   d. Technocratic Paternalism; mixed.

24. Recent statistics indicate that we are living in a "services" or technology society. As of 2000, about ____ percent of the labor force work in the services area, while about ___ percent are in industry and ___ percent still work in agriculture.
   a. 50; 40; 10
   b. 60; 35; 5
   c. 70; 15; 15
   d. 73; 25; 2

25. Past symptoms/causes of the farm problem include:
   a. low incomes, financial stress, instability & food security.
   b. market position, declining farm numbers, diversity & resource scarcity.
   c. low incomes, instability, diversity & food security.
   d. low incomes, financial stress, declining farm numbers & market position.

26. 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) & (b).

27. With the farm problem of instability, _______________ is the policy issue and _______________ is the major cause.
   a. the role of government; inelastic supply & demand.
   b. politicians; taxation.
   c. subgovernment; elastic supply & demand.
   d. concentration; technological economies
28. Demand shifters include
   a. population growth
   b. income
   c. tastes and preferences
   d. changing prices of substitutes
   e. changing future price expectations
   f. all of the above
   g. a, b & c only
   h. none of the above

29. Supply shifters include
   a. technology
   b. farmland acreage
   c. farm numbers and size
   d. farm programs and regulations
   e. weather
   f. changing prices of inputs
   g. changing prices of input substitutes
   h. changing prices of complements in production
   i. all of the above
   j. a, b and c only
   k. none of the above

30. US agricultural policy, according to the text,
   a. rarely changes.
   b. is constantly changing.
   c. changes every 10 years.
   d. none of the above.

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

32. 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
33. The adverse impact of risk of price changes can be reduced by
   a. private risk management
   b. government farm income support
   c. small farms only
   d. nothing can affect this risk
   e. (a) and (b)
   f. none of the above

34. _______________________________ indicates the process by which
economies, cultures and political systems become increasingly interdependent.
   a. Policy
   b. Instability
   c. Bioterrorism
   d. Globalization
   e. none of the above

35. Knutson suggests that market failure is a primary reason for
   a. government intervention
   b. the UN
   c. war
   d. Congress
   e. economists
   f. concentration
   g. none of the above

36. Alternative approaches to policy analysis, according to the text, include
   a. educational
   b. evangelistic
   c. scientific
   d. analytical
   e. all of the above
   f. a, b and c only
   g. none of the above

37. 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
38. For some issues any group, including farmers, may find itself in the minority. Knutson suggests 5 principles for successful minority politics, including:
   a. find allies by issue
   b. find allies by philosophy
   c. don’t waste time with coalitions
   d. base the case on facts, not myth or emotion
   e. both a & c
   f. both a & d
   g. none of the above

39. 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

40. When each farmer pursues individual goals and the result is that all farmers are made worse off, it is an example of:
   a. supply and demand.
   b. market failure.
   c. fallacy of composition.
   d. poor planning.
   e. none of the above.

41. An externality is defined as
   a. costs of producing a good borne by the producer.
   b. Costs of producing a good borne by the consumer.
   c. Misallocation of resources that indicates market failure.
   d. Benefits bought in the market by private consumers.

42. 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
43. Sanders discussed the problem with conducting public policy analysis using concepts of “right” vs. “wrong”, and “good” vs. “bad”. Instead, he suggested that the ________ approach is more likely to achieve scientific, objective analysis.
   a. advocacy
   b. religious
   c. alternatives & consequences
   d. ritual & taboos

44. 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.

45. 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.

46. Which of the following is true about concentration in agriculture?
   a. Concentration is very low for most of crop agriculture.
   b. Concentration of production in beef feedlots is not as high as for crop agriculture.
   c. Concentration in purchased inputs is lower for combine dealers than for fertilizer dealers.
   d. Concentration in crop markets shows little evidence of imperfect competition.
   e. None of the above.

47. Assume you’re hired by the Oklahoma Cattlemen’s 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 decrease, 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.
48. 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.

49. Assume you’re hired by Oklahoma Farm Bureau to evaluate a possible reduction in government regulation of farms. 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.

50. Assume you’re hired by Oklahoma Farmers Union to evaluate possible subsidy support for a new beef cooperative in Oklahoma. Assuming all other factors remain constant, the initial likely impact would be:
   a. The action would be of no benefit to beef producers who join the co-op.
   b. The action would allow co-op members to move from high-cost producers to lower-cost producers, and be more competitive.
   c. The action would not allow co-op members to move from high-cost producers to lower-cost producers, and be more competitive.
   d. There is no way to evaluate the likely impacts.

51. 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.

52. 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. pareto optimality.
   c. the compensation principle.
   d. the fallacy of composition.
53. The difference between market prices/costs and societal values of a product/production process is known as:
   a. externalities & market failure.
   b. pareto optimality.
   c. the compensation principle.
   d. the fallacy of composition.

54. The parity concept suggests that
   a. prices for farm goods should be greater in the present than in the past.
   b. today’s unit price of a commodity should provide the same purchasing power as in 1910-14.
   c. prices for farm goods should be less in the present than in the past.
   d. none of the above.

55. 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. The farm population has been treated as a homogeneous group.
   d. Monetary and fiscal policy is neutral in terms of the farm problem.
   e. All of the above.
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.

1. 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).