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).

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.

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.

[see L1 & L2 for components of this answer]
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?

It is:
(1) composed of farm organizations, ag committees of Congress and USDA
(2) Farm representation in the House has declined, ag has lost uniqueness compared to industry and other interests are increasing in power
(3) Many of these other growing interests have come into the power cluster (environment, for example), making compromised, unified policy difficult or impossible

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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<tbody>
<tr>
<td>Producer Lobby</td>
<td>Sierra Club</td>
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<tr>
<td>AFBF, NFU, NAWG, AAM, NCBA</td>
<td>World Watch</td>
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<td></td>
<td>CFA</td>
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<tr>
<td>Agribusiness Lobby</td>
<td>Labor unions</td>
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<tr>
<td>ABA, GMA, FMI, Fl</td>
<td>Center for Science in the Public Interest</td>
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<td></td>
<td>AFBF</td>
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<td></td>
<td>NFU</td>
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<tr>
<td>Resource/Environment Lobby</td>
<td>American Bankers Assn.</td>
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<tr>
<td>Sierra Club, EDF, NRDC</td>
<td>Grocery Mfg. of America</td>
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<tr>
<td>Humane Society</td>
<td>Natl. Assn. of Wheat Growers</td>
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<td></td>
<td>AAM</td>
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<td></td>
<td>Natl. Cattlemen's Beef Assn.</td>
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<tr>
<td>Consumer Food Lobby</td>
<td>Food Mktng. Inst.</td>
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<tr>
<td>CFA, Labor Unions, CU</td>
<td>Fertilizer Inst.</td>
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<td></td>
<td>Consumers Union</td>
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<td></td>
<td>Health Research Group</td>
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<tr>
<td>Nutrition/Food Safety Lobby</td>
<td>Bread for the World</td>
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<tr>
<td>CSPI, HRG</td>
<td>Environmental Defense Fund</td>
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<tr>
<td>Hunger Lobby</td>
<td>The Humane Society</td>
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<tr>
<td>WW, BFW</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.

1930s: Economic poor health
--Keynes: More govt. necessary to counter shortrun market problems “In the long run, market will stabilize. But in the long run, we’ll all be dead.”
--FDR: Relief, Reform, Recovery
  --Dramatic increase in government intervention
1940s: WWII supported Keynes’ claim
--Employment Act of 1946
1960s: Heller--“Ability to fine-tune economy within sight.”
--BUT fighting 2 wars (Poverty & Vietnam)
1970s: The “bill” comes due
--Inflation & Recession
--Stagflation
1980s: Reaganomics--intended to reduce govt. in marketplace, enhancing free market & national security (in fact greatly increased federal spending)
1992: Clintonomics I--”new liberalism” to reduce govt. with social concern (mixed success)
1994: Conservative “revolution”
--”contract” to reduce federal govt. & let state or private sector decide (mixed success)
1997: Clintonomics II--”new liberalism” constrained by Conservative Congress
2001: “Compassionate Conservatism”???
2002+: Global Terrorism Wartime Economy; downsizing domestic govt.
--BUT, with growing deficits, some are calling Bush “borrow & spend liberal”

[Briefly state whether current political support is for less govt (taxes or regs or support?) or more govt (taxes or regs or support?)];
then use one of the following to support your statement:
--Schlessinger: to use the national government to protect the powerless, to combine individual opportunity with social responsibility...
--Or, not so different from Confucius in 500 b.c. . . .
--Or, use the “flow of spending” to show government’s place in the economy...
6. The "farm problem" is defined by its time, according to Sanders. Briefly discuss the evolution of the farm problem since the early 1800s.

(summarize Lesson 4: Slides 3-7)
(and a general statement about these changes and their effect on policy solutions.)

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.

(1) Instability is caused by highly inelastic S & D (and, some say, changes in government policy).
(2) Reasons include:
   (A) S shifts have increased because of flexibility and decoupling
   (B) Global markets also have an impact
   (C) Increasing variability in weather patterns also contributes.
   (D) Increasing application of biotechnology and concentration may also be factors.

8. What does diversity have to do with resolving the farm problem?

It is difficult to design a program to help farmers who need it most, specifically, it is difficult to help moderate size farmers without helping large farms much more. Targeting help to small farmers raises questions about providing incentives for inefficient and or poorly managed farms. Recognition that farms are not average and vary in size, enterprise, production methods, regions, objectives makes the issue more complex.
9. Identify the key “structural issues” as summarized in Lesson #4 lecture notes.

(Lesson 4: 29, supplement with a summary of 32 - 36 on the economic, social & political implications.)

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.

(Summarize Lesson 4: 31 - 36; may also refer to key points of 51-65)
11. Using the glossary or lecture notes, briefly (1-2 sentences) define the following terms:
   a. basic commodities: corn, cotton, peanuts, rice, tobacco, wheat; specified by legislation as price supported commodities.
   b. pecuniary economies: advantage gained by larger farms, resulting in either a lower cost per unit of inputs purchased or a higher price per unit for the products marketed.
   c. infrastructure: transportation, communications, finance, public utilities & other services necessary for economic activity
   d. subsidy: tax rebate; incentive for artificial low prices
   e. family farm: (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.

12. Why is the elasticity of demand for farm products important from a policy perspective?

(1) inelastic D means an increase in S drives P down in percentage terms more than QD increases in percentage terms; in other words, consumers are less responsive to price changes than if it were elastic D.
(2) The change causes revenue to decline.
(3) This supports policy to cut production to increase revenue.
(4) However, while domestic D is inelastic, export D is elastic
(5) Facing an inelastic domestic demand and an elastic export demand with a decrease in S, more quantity demanded is lost in the export market from the resulting price increase than in the domestic market.
13. Briefly outline the public policy methodology, based on class notes, applying it to the topic you have chosen for your term paper.

Advocacy vs. Objectivity
Alternatives & Consequences
Elements:
  Define problem
  Present choice criteria (Policy Goals/Objectives)
  Methods of evaluation
  Alternatives
  Evaluation
  Consequences