Outline and Readings -- Spring 2011

* Asterisk means this article is available in the core readings collection available at Copyworks and in the box outside of 481 Heady. Other articles are available are in the box outside of 481 Heady. Some will be placed on the class web page.

I. Tools

A. Quantitative Descriptions of Commodity Markets

*1) Helmberger, Peter C., "Economic Analysis of Farm Programs, Notes on Causality in Economic Analysis," Ch. 1 (p. 9-14).

Generic Simultaneous Equations Problem
Two-country commodity trade: solving for trade and prices

B. Benefit/Cost Analysis


Producer Surplus
Consumer Surplus
Market Maximizes Welfare

II. Market Intervention in Agriculture

A. The Market Economy


C. Government institutions that promote well-functioning markets: information systems, futures markets, and co-ops


III. Interventions in World Markets

A. World Commodity Markets and Trade Equilibrium


B. The case for free trade, the optimal tariff and implications of retaliation.


C. Factors Affecting the Foreign Demand for a Country’s Exports

1. Excess demand for a country’s exports


2. The Elasticity of Export Demand

3. The Exchange Rate Effects in Commodity Markets.
4. Real Exchange Rates and Exchange Rate Parity


IV. An International Setting for U.S. Ag Trade Policy in the 21st Century


A. Related Institutions - The IMF and World Bank: Overview

B. General Agreement on Tariffs and Trade (GATT)

·Rules and Dispute Resolution


·Benefits of Ag Trade Liberalization


·Uruguay Round


24) Gaisford, James D. and William A. Kerr, *Economic Analysis for International Trade Negotiation*, Edward Elgar Company, Cheltenham, UK, 2000; "Tariff-Rate Quotas" (pp. 72-73); "Quotas" (pp. 69); "U.S. Trade Policy & the GATT" (pp. 1-20).
V. International Financial Markets

A. Exchange rate determination in financial markets.


B. Overvalued and Undervalued Currency


C. Implications for Policy in Agricultural Markets


VI. Protection and Income Support in Agricultural Markets

A. Producer Support Policies in Developed Countries (3 days)

1. Theory

30) Houck, “Tariffs and Quotas,” (Chapter 5); "Price Guarantees with Variable Levies or Deficiency Payments," (Ch. 6); "Export Expansion with Price Guarantees, Subsidies, and Promotion," (Ch. 10)


B. Consumer-Support Policies in Developing Countries (2 days)


C. Government Policy Choice

1. Tradeoffs, Preferences and Rent-Seeking:


2. Public Bargaining:


D. Value Added and Effective Protection (1½ days)

47) Houck, (p. 144-46).

VII. Bioenergy

A. Corn Ethanol Industry:
   1. Overview:

   2. Profitability and Competitiveness


B. Justification for Policy Intervention


C. Ethanol Trade and Policy


VIII. Other Emerging Problems

A. Competitiveness and Biotechnology


B. Food Safety and Trade


C. Food Security


D. Sustainable Agriculture


E. Agricultural Trade and the Environment


