

# DETAILED CONTENTS

*Introduction to Agricultural Economics, 8th Edition ix*

*Acknowledgments xi*

*About the Authors xiii*

*Timeline for An Introduction to Agricultural Economics, Eighth Edition xv*

## **Chapter 1 The Nature of Agricultural Economics 1**

Chapter Outline	1
Why Study Agricultural Economics?	2
Scope of Economics	3
Definition of Economics	7
Alternative Economic Systems	9
Definition of Agricultural Economics	14
What Does an Agricultural Economist Do?	14
Graphical Analysis	15
What Lies Ahead	19
Summary	20
Key Terms	21
Testing Your Economic Quotient	22
References	23

## **Chapter 2 The U.S. Food and Fiber Industry 25**

Chapter Outline	25
Indices	26
Nominal Versus Real Values	28
What Is the Food and Fiber Industry?	30
Changing Complexion of the Farm Sector	34
Farm Input Suppliers	47
Beyond the Farm Gate	48
Summary	58
Key Terms	61
Testing Your Economic Quotient	62
References	65

### **Chapter 3**    **Utility, Indifference Curves, and the Budget Constraint**    **67**

- Chapter Outline    67
- Utility    67
- Indifference Curves    71
- The Budget Constraint    76
- Summary    79
- Key Terms    79
- Testing Your Economic Quotient    80

### **Chapter 4**    **Consumer Equilibrium, the Market Demand Curve, and Consumer Surplus**    **87**

- Chapter Outline    87
- Conditions for Consumer Equilibrium    88
- Changes in Equilibrium    90
- The Market Demand Curve    96
- Tastes and Preferences    99
- Consumer Surplus    102
- Summary    103
- Key Terms    104
- Testing Your Economic Quotient    105
- References    112

### **Chapter 5**    **Measurement and Interpretation of Elasticities**    **113**

- Chapter Outline    113
- Own-Price Elasticity of Demand    114
- Income Elasticity of Demand    119
- Cross-Price Elasticity of Demand    120
- Other General Properties    121
- Real-World Examples    123
- Applicability of Demand Elasticities    126
- Summary    128
- Key Terms    128
- Testing Your Economic Quotient    129
- References    133

### **Chapter 6**    **Production and Resource Use under Perfect Competition**    **135**

- Chapter Outline    135
- Overarching Questions    136
- Conditions For Perfect Competition    136
- Classification of Inputs    137
- Production Relationships    139
- Costs of the Business Enterprise    145
- Determination of the Optimal Level of Production and Resource Use    150

Summary	158
Key Terms	160
Testing Your Economic Quotient	160

## **Chapter 7**    **Economics of Input and Product Substitution**    **165**

Chapter Outline	165
Isoquants	166
The Iso-Cost Line	169
Least-Cost Use of Inputs for a Given Output	171
Effects of Changes in Input Prices	172
Least-Cost Input Use for a Given Production Budget	173
Long-Run Expansion of Resource Use	174
The Production Possibilities Frontier	178
The Iso-Revenue Line	181
Profit-Maximizing Combination of Products	183
Summary	186
Key Terms	188
Testing Your Economic Quotient	189
References	193

## **Chapter 8**    **The Market Supply Curve, Market Equilibrium under Perfect Competition, Producer Surplus, and Total Economic Surplus**    **195**

Chapter Outline	195
Derivation of the Market Supply Curve	196
Market Equilibrium	200
Market Disequilibrium	208
Summary	210
Key Terms	211
Testing Your Economic Quotient	212

## **Chapter 9**    **Production and Resource Use Under Imperfect Competition**    **219**

Chapter Outline	219
Market Structure Characteristics	220
Imperfect Competition in Selling	223
Imperfect Competition in Buying	236
Market Structures in Livestock Industry	239
Governmental Regulatory Measures	240
Summary	244
Key Terms	245
Testing Your Economic Quotient	246
References	252

<b>Chapter 10</b>	<b>Government Intervention in Agriculture</b>	<b>255</b>
	Chapter Outline	255
	Rationale for Government Intervention	255
	Farm Economic Issues	256
	History of Farm Bills	263
	Historical Support Mechanisms	265
	Domestic Demand Expansion Programs	276
	Export Demand	277
	Consumer Issues	279
	Summary	284
	Key Terms	286
	Testing Your Economic Quotient	288
	References	291
<b>Chapter 11</b>	<b>Natural Resources, the Environment, and Agriculture</b>	<b>293</b>
	Chapter Outline	293
	Agriculture and the Environment	294
	Economics of the Environment	297
	The Economics of the Resources of Agriculture	304
	Soil Quality and Quantity	304
	The Economics of Soil Conservation	305
	Water as an Economic Asset	308
	Government Policies for Agriculture, Natural Resources, and the Environment	310
	Summary	313
	Key Terms	314
	Testing Your Economic Quotient	314
	References	316
<b>Chapter 12</b>	<b>Agriculture and the Climate</b>	<b>319</b>
	Chapter Outline	319
	Agriculture and the Climate	319
	The Science of Climate Change—Theory and Evidence	320
	The Impacts of Climate Change	322
	Adapting to Climate Change	325
	Agriculture’s Role in Greenhouse Gas Emissions and the Potential for Mitigation	326
	Climate Change Valuation and Policies	327
	Summary	332
	Key Terms	332
	Testing Your Economic Quotient	333
	References	334
<b>Chapter 13</b>	<b>Measurement and Composition of Gross Domestic Product</b>	<b>335</b>
	Chapter Outline	335

Measurement of Gross Domestic Product	335
Components of Gross Domestic Product	341
Determinants of Personal Consumption Expenditures	343
Determinants of Gross Private Domestic Investment	349
Deficit, Surplus, and Balanced Budget	352
What Lies Ahead?	352
Summary	352
Key Terms	354
Testing Your Economic Quotient	355
References	358

## **Chapter 14**    **Equilibrium GDP, Recessional and Inflationary Gaps, and Fiscal Policy    359**

Chapter Outline	359
Equilibrium GDP	359
Potential GDP and the Full-Employment Level of GDP	362
Recessional and Inflationary Gaps	363
Fiscal Policy	364
Fiscal Policy Options	368
Summary	370
Key Terms	372
Testing Your Economic Quotient	373
References	375

## **Chapter 15**    **Money, The Federal Reserve System, and Monetary Policy    377**

Chapter Outline	377
Characteristics of Money	378
Federal Reserve System	381
Monetary Policy Instruments	386
Changing the Money Supply	388
The Money Market	391
Use of Monetary Policy to Combat Recessional and Inflationary Gaps	396
Summary	399
Key Terms	401
Testing Your Economic Quotient	402
References	404

## **Chapter 16**    **The Federal Budget, Business Fluctuations, and Macroeconomic Policy Options    405**

Chapter Outline	405
The Federal Budget	406
Fluctuations in Business Activity	418
Consequences of Business Fluctuations	420

Macroeconomic Policy Options	428
Summary	431
Key Terms	435
Testing Your Economic Quotient	436
References	439

## **Chapter 17**    **Impacts of Macroeconomic Policy on the Food and Fiber Industry**    **441**

Chapter Outline	441
The Big Five	442
Specific Macroeconomic Links to the Food and Fiber Industry	444
Macroeconomic Policy Tools	445
Impacts of Macroeconomic Policy Actions on Agriculture	446
Summary	452
Key Terms	454
Testing Your Economic Quotient	454
References	456

## **Chapter 18**    **Why Nations Trade**    **457**

Chapter Outline	457
Why Trade?	457
Absolute Advantage	458
Gains From Trade	463
Summary	466
Key Terms	467
Testing Your Economic Quotient	467
References	468

## **Chapter 19**    **Agricultural Trade and Exchange Rates**    **469**

Chapter Outline	469
The Importance of Agricultural Trade	470
The Composition of Agricultural Trade	471
Direction of U.S. Agricultural Trade	471
U.S. Agricultural Trade Performance	472
Exchange Rates and The Foreign Exchange Market	474
The International Monetary System	477
Exchange Rate Determination	480
Exchange Rates and U.S. Agricultural Trade	485
Considerations For Policy Coordination	487
Summary	489
Key Terms	491
Testing Your Economic Quotient	491
Reference	493

## **Chapter 20**   **Agricultural Trade Analysis, Trade Policy and Protection**   **495**

Chapter Outline	495
Trade and Welfare	496
Why Restrict Trade?	500
Trade Restrictions	502
Agricultural Trade Policy	509
The Importance of Preferential Trading Arrangements	513
Forms of Economic Integration	514
Reasons For Preferential Trading Arrangements	515
Do Preferential Trading Arrangements Create or Divert Trade?	516
Summary	520
Key Terms	522
Testing Your Economic Quotient	523
References	525

*Glossary* 527

*Index* 569