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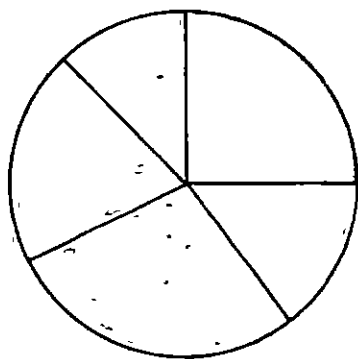
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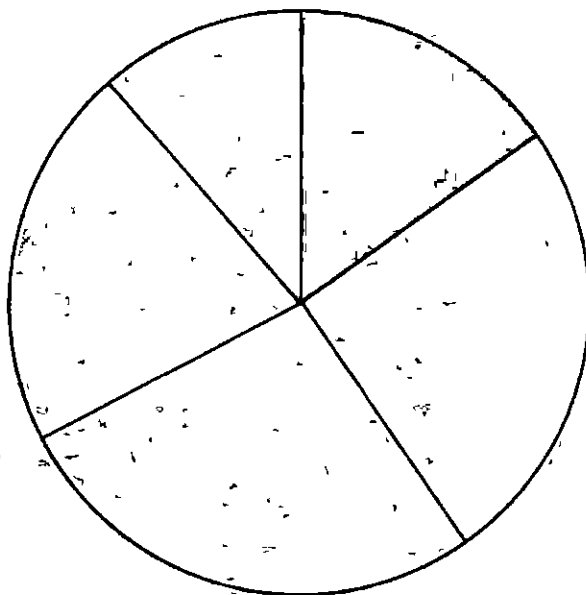
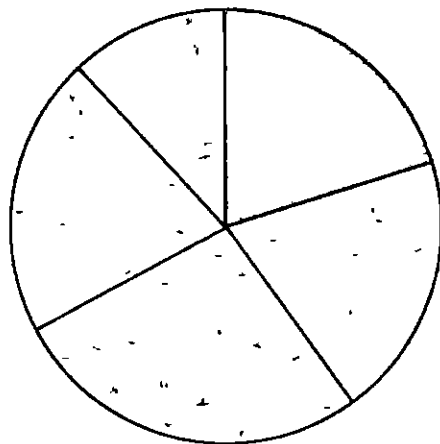
# AGRICULTURAL ECONOMICS RESEARCH

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Income and food prices  
shape budget shares p.12

# Agricultural Economics Research

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Macroeconomics is sometimes characterized simply as "looking at the big picture." The higher the level of aggregation of the variables in a study, the more macro the analysis. This description is popular in agricultural economics, a profession whose members tend to be especially well grounded in neoclassical microeconomic theory. By this description, the four articles in this issue treat macroeconomics topics.

However, there are other ways to distinguish a macroeconomics topic from a microeconomics one. The distinction can be made according to the problems addressed, the data sources used, or the theoretical concepts applied. If we classify the four articles in this issue by these finer distinctions, some of the articles are better characterized as aggregate microeconomics and others as macroeconomics.

In the first article, Huang and others address the impacts of a change in resource allocation on prices and quantities. This is a

typically microeconomic issue. The authors examine two kinds of aggregative models used to evaluate national and regional effects of agricultural policy. An econometric model of commodity supply and demand is used to estimate equilibrium prices and quantities. A linear programming model is used to examine the allocation of resources among alternative uses. The authors reach the interesting conclusion that a hybrid of these two kinds of models can be useful for evaluating aggregative agricultural policies.

Mann, in the second article, uses a typically macroeconomic data base—the national income and product accounts. But he asks a typically microeconomic question about the price and income elasticities for aggregate personal consumption expenditures. He uses the so-called Rotterdam Model to develop the elasticity estimates. This model is rooted in neoclassical microeconomic theory—a theory which answers questions about individual prices and

quantities while assuming answers about full employment and the general price level.

In the third article, Meyers and others look at commodity prices and quantities—variables explained by microeconomic theory—in terms of world trade. The authors evaluate the effects of a change in the exchange rate on aggregate international trade when explicit allowance is made for price-insulating policies and for domestic demand elasticities. The impacts of exchange rates are found to vary by commodity as well as by country.

The final article addresses the macroeconomic problem of simultaneous unemployment and inflation. Using data from the national income and product accounts and Keynesian theory, the author concludes that monetary and fiscal activities of the past decade may have contributed to the problem rather than helped to solve it.

CLARK EDWARDS

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