

Econ 164 Problem Set 3

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Question 1

The Minimum Support Price is a guaranteed price at which the government commits to buying select crops such as rice and wheat. Its purpose is to insulate farmers from income volatility, by preventing shifts in prices from market movements to affect the regular income for farmers. Benefits include food security and stability in the income of farmers. Costs include the accumulation of food stocks beyond buffer needs, some fiscal deficit and that it deters diversification of agriculture. Reforms could include the introduction of surveys or censuses to prevent the overstocking of food.

The APMC is

The fertilizer subsidies are

The Public Distribution System is

Question 2

Question 3

Question 4

Part A

Part B

Part C

Question 5

Question 6

- a.
- b.
- c.
- d.
- e.