
**The Effects
of Monetary Policy
on U.S. Agricultural Markets**
An Integrated Capital
Market Approach

Mildred A. Haley

Garland Publishing, Inc.
New York & London
1993

CONTENTS

LIST OF TABLES	viii
LIST OF FIGURES	x
ACKNOWLEDGMENTS	xv
 CHAPTER 1 INTRODUCTION	 3
Introduction	3
Problem Statement, Objectives, and Recent Research	5
Method	11
Organization	12
Notes	13
 CHAPTER 2 ESTIMATION OF THE MACRO MODEL ..	 15
Introduction	15
The US Component of the Macro Model	17
The Japan Component of the Macro Model	27
Notes	32

CHAPTER 3	REVIEW OF THE BASE SOLUTION OF THE ESTIMATED MACRO MODEL	33
	Introduction	33
	Evaluation of the Base Solution of the US Macro Model	34
	Evaluation of the Base Solution of the EC Macro Model	70
	Evaluation of the Base Solution of the Japan Macro Model	100
	Notes	125
CHAPTER 4	REVIEW OF THE EFFECT OF A MONETARY SHOCK ON MACRO VARIABLES	127
	Introduction	127
	The Money Shock	128
	The Federal Reserve Bank's Multicountry Model	160
	Notes	163
CHAPTER 5	THE US AGRICULTURAL SECTOR: SIMPLE MODELS OF US CORN, WHEAT, CATTLE, HOG, AND BROILER MARKETS	165
	Introduction	165
	Corn	165
	Wheat	185
	US Livestock and Broiler Markets: Background Discussion	205
	Cattle	211
	Hogs	221
	Broilers	225
	Notes	228

CHAPTER 6	REVIEW OF THE BASE SOLUTION OF THE AGRICULTURAL MODEL	229
	Introduction	229
	Corn	229
	Wheat	237
	Cattle	247
	Hogs	252
	Broilers	254
CHAPTER 7	THE US AGRICULTURAL EFFECTS OF A RESTRICTIVE US MONETARY POLICY	259
	Introduction	259
	Corn	260
	Wheat	279
	Cattle	284
	Hogs	286
	Broilers	287
	Notes	288
CHAPTER 8	EFFECTS OF A MONEY SHOCK ON SELECTED US AGRICULTURAL MARKETS WHEN FINANCIAL ASSET MARKETS ARE GLOBALIZED	289
	Introduction	289
	Globalizing the Macro Model	290
	Changes in US Agricultural Market Response to Monetary Policy When Financial Assets Are Globalized	303
	Notes	309
CHAPTER 9	CONCLUSIONS AND SUGGESTIONS FOR FURTHER RESEARCH	311
BIBLIOGRAPHY		319
INDEX		325

LIST OF TABLES

Table	Page
1 Deposit Banks' Foreign Assets, 1974-1988	6
2 Diagnostic Statistics: US Component of the Macro Model	35
3 Base Solution of the Macro Model: Selected US Variables	37
4 US Component of the Macro Model	56
5 Correlations of Actual and Simulated Components of US Nominal Balance of Financial Assets	65
6 Correlations of Actual and Simulated Components of US Balance of Trade	67
7 Correlations of Actual and Simulated Components of US GNP	69
8 Diagnostic Statistics: Japan Component of the Macro Model	71
9 Base Solution of the Macro Model: Selected EC Variables	73
10 EC Component of the Macro Model	88
11 Correlations of Actual and Simulated Components of EC Balance of Financial Assets	96

Table

12	Correlations of Actual and Simulated Components of EC Balance of Trade	98
13	Correlations of Actual and Simulated Components of EC GNP	99
14	Diagnostic Statistics: EC Component of the Macro Model	101
15	Base Solution of the Macro Model: Selected Japan Variables	103
16	Japan Component of the Macro Model	118
17	Selected US, EC, and Japan Variable Responses to a US Money Shock	130
18	Federal Reserve Bank Multicountry Model: Selected Macrolinkage Responses to a US Monetary Shock, A Sustained 100 Basis Point Increase in the US Treasury Bill Rate	162
19	US Corn Model	167
20	US Wheat Model	186
21	US Livestock-Broiler Model	213
22	Diagnostic Statistics: US Corn	231
23	Diagnostic Statistics: US Wheat Market Model	241
24	Diagnostic Statistics: US Livestock-Broiler Market Model	248

25	Effects of a US Monetary Shock on US Corn, Wheat, Livestock, and Broiler Markets: Selected Variable Responses	262
26	Shock-Induced Changes in Supply and Usages: Corn	276
27	Selected US Money Shock-Induced Changes in World Trade Flows of Corn	278
28	Shock-Induced Changes in Supply and Usages: Wheat	282
29	Selected US Money Shock-Induced Changes in World Trade Flows of Wheat	283
30	Asset Demand Coefficients for the Non-Globalized, and the Globalized Macro Models	298
31	Differences Between Shock-Induced Changes in Selected US Agricultural Variables Generated By A Non-Globalized Model, and a Globalized Model	299

LIST OF FIGURES

Figure

1	US Real Aggregate Consumption, 1981q1-1985q1: Simulated (V1) vs Actual Values	48
---	---	----