

Contents

List of Figures.....	xi
List of Tables.....	xv
1 Four Topics of Consuming Interest.....	1
1.1 Interests and Developments in Agriculture, Trade, Population, and the Behavior of Aggregate Economies.....	1
1.2 How Economists Study Problems.....	2
1.3 Rationality, Preferences, Markets, Capitalism, and Modern Economic Theory.....	4
2 The Economics of Agriculture.....	7
2.1 Introduction.....	7
2.1.1 Why a Chapter on Agriculture?.....	7
2.1.2 Markets and “Markets”.....	7
2.1.3 Guide to the Chapter.....	8
2.2 The Farm Household Model.....	9
2.2.1 Overview of the Farm Household Model.....	10
2.2.2 Causes of Non-Separable Production and Consumption Decisions.....	11
2.2.3 Consequences of Non-Separable Production and Consumption Decisions.....	15
2.3 Agricultural Production and Supply.....	17
2.3.1 Characterizing Agricultural Production.....	17
2.3.2 Agricultural Supply.....	18
2.3.3 Production when Output is Both a Consumption Good and a Capital Good.....	28
2.4 Farm Operation.....	35
2.4.1 What Kind of Area Are We Talking About?.....	36
2.4.2 Contract Choice: Who Decides What, Who Does What, and Who Gets What?.....	37
2.4.3 The Theory of Share Tenancy.....	39
2.4.4 Interlinked Transactions in Agrarian Economies: Land, Insurance, Labor, Credit.....	46
2.5 Agricultural Commodity Storage.....	50
2.6 The Theory of Famines.....	54
2.7 Open Access and Common Property Resources.....	55
2.8 Cases from Antiquity: Farming - Between the Plow and the Agreements.....	57
2.9 Using this Chapter’s Information: Archaeological Applications.....	59
2.9.1 Animal Bones.....	59
2.9.2 Agricultural Implements.....	59
2.9.3 Agricultural Plant Remains.....	60
2.9.4 Storage.....	60
2.9.5 Ancient Fields and Carrying Capacities.....	61
2.9.6 Other Applications.....	61
3 The Economics of International Trade.....	67
3.1 Problems and Models in International Trade.....	67
3.2 <i>Gains from Trade</i>	68
3.3 Theories of Trade 1. Differential Technology: The Ricardian Model.....	69
3.3.1 Production in the Ricardian Model.....	69
3.3.2 The Comparative Advantage Concept.....	70
3.3.3 <i>Patterns of Trade</i>	70
3.3.4 Effect of Trade on Factor Prices.....	73
3.3.5 Theories of Trade 2. The Specific Factors Model.....	73
3.3.6 Dutch Disease.....	74
3.4 Theories of Trade 3. Factor Endowments: <i>The Heckscher-Ohlin Model</i>	74
3.4.1 The 2-Good, 2-Factor Model.....	75
3.4.2 Causes of Comparative Advantage.....	77
3.4.3 Factor Price Equalization.....	79
3.4.4 Effects of Factor Endowments on Production.....	80
3.4.5 Effects of Commodity Prices on Factor Prices.....	81
3.4.6 Many Goods and Factors.....	81
3.4.7 Nontraded and Intermediate Goods.....	83

3.4.8 Natural Resources	87
3.4.9 Transportation Costs.....	89
3.5 Theories of Trade 4. Intra-industry Trade in Differentiated Goods.....	91
3.6 Commercial Policy.....	93
3.6.1 Tariffs, Trade Subsidies, and Quotas.....	93
3.6.2 Effective Protection.....	102
3.6.3 Customs Unions	104
3.7 The Multinational Enterprise and Foreign Investment	105
3.7.1 The Perspective of the Individual Firm.....	106
3.7.2 Multinationals from the Perspective of an Entire Economy	107
3.7.3 Foreign Investment and International Capital Flows	108
3.7.4 The “Transfer Problem”	108
3.8 Exchange Rates and the Balance of Payments.....	110
3.8.1 Exchange Rates and Exchange Rate Regimes	110
3.8.2 The Balance of Payments Accounts.....	111
3.8.3 Trade and the Balance of Payments	112
3.8.4 Purchasing Power Parity	113
3.8.5 Exchange Rates, the Balance of Payments, and the International Distribution of Gold Money	113
3.9 Cases from Antiquity: Addressing Ancient Trade with International Trade Models	115
3.10 Suggestions for Using the Material of this Chapter	117
4 The Economics of Population	123
4.1 Introduction	123
4.1.1 Background.....	123
4.1.2 Rationale for The Chapter.....	123
4.1.3 Guide to the Chapter	124
4.2 Some Demographic Concepts.....	124
4.2.1 Some Common Demographic Measures.....	125
4.2.2 An Overview of the Model Life Table	126
4.2.3 Population Theory	129
4.2.4 Demographic Models and the Study of Ancient Populations	133
4.2.5 Two-Sex Problems and Models.....	134
4.2.6 Natural Fertility and Fertility	136
4.3 The Microeconomics of Fertility	140
4.3.1 The Issue of Choice.....	141
4.3.2 Factors Complicating the Basic Theory	141
4.3.3 The Chicago-Columbia Model.....	142
4.3.4 The Pennsylvania Model.....	147
4.3.5 The Malthusian Population Model.....	149
4.3.6 The Economics of Nuptiality	154
4.3.7 Mortality.....	156
4.3.8 The Family Setting of Fertility Decisions.....	163
4.4 Population Change, Model Life Tables, and Fertility Theory.....	168
4.4.1 Life-Table Approach to Population Catastrophes	169
4.4.2 Economic Approach to the Same Events	170
4.4.3 Identifying and Measuring Population Changes and their Consequences	172
4.5 Modeling Generations.....	177
4.5.1 The Overlapping Generations Model.....	177
4.5.2 The Structure of an OLG Model	178
4.6 Intergenerational Transfers.....	181
4.6.1 Utility-Maximizing Intergenerational Transfers at the Individual Level: Partial Equilibrium Analysis	182
4.6.2 Transfers in the Two-Period OLG Model	183
4.6.3 Transfers in an Economy-Wide Reallocation System: General Equilibrium Analysis of Intergenerational Transfers	184
4.7 Population Growth and Economic Growth.....	186
4.7.1 Facts to Be Explained and Changing Explanatory Strategies.....	186
4.7.2 Hypotheses about Population and Technological Change	187
4.7.3 Endogenous Fertility in Models of Economic Growth	187
4.8 Concluding Thoughts	196

4.9 Cases from Antiquity: Exercising the Leslie Matrix with an Eye to Antiquity	198
4.10 Using this Chapter's Information.....	200
5 The Behavior of Aggregate Economies: Macroeconomics	213
5.1 Introduction.....	213
5.1.1 What is Macroeconomics?	213
5.1.2 Why a Chapter on Macroeconomics for Two to Five Millennia Ago?	215
5.2 National Income Accounting.....	216
5.3 The Length of Run: Business Cycles and Long Run Growth.....	219
5.3.1 The Short and Medium Run: Business Cycles.....	219
5.3.2 The Long Run: Growth	220
5.4 The Aggregate Markets: Goods, Financial, Labor.....	221
5.4.1 Goods	221
5.4.2 The Financial Market	226
5.4.3 Labor	228
5.4.4 Labor Market Equilibration and Wage Adjustment	229
5.5 The IS-LM Model	234
5.5.1 The IS Relation	234
5.5.2 The LM Relation.....	236
5.5.3 Equilibrium and Some Analyses	238
5.6 The AD-AS Model.....	240
5.6.1 Aggregate Demand.....	240
5.6.2 Aggregate Supply.....	241
5.6.3 Equilibrium and Some Analyses.....	242
5.7 The Open Macroeconomy.....	243
5.7.1 The Variety of Cases	243
5.7.2 Exchange Rates	244
5.7.3 Balance of Payments Accounting Revisited	244
5.7.4 Saving and Investment in the Open Economy	245
5.7.5 Capital Mobility and Interest Rate Parity.....	247
5.8 Cases from Antiquity: The Financial Crisis of 33 C.E.....	248
5.9 Using this Chapter's Information: Historical, Philological, and Archaeological Applications	249
5.9.1 Accounting Systems	249
5.9.2 Roman Unemployment—A Natural Rate?.....	250
5.9.3 The Macroeconomics of the Peloponnesian War.....	250
5.9.4 The Economics of Enduring National Puzzles.....	251