

Agricultural Firms and Industry Organization

Economics 335

Fall 2004

This course will explore economic theories relating to the structure, conduct and performance of agricultural markets. Specific topics covered will include (i) the theory of the firm and the determinants of firm boundaries, (ii) neoclassical models of firm behavior, (iii) perfectly competitive markets, (iii) monopolistic and monopsonistic markets, (iv) price discrimination, (v) oligopoly and oligopsony, and (vi) strategic market behavior.

Prerequisites:

Economics 301 (which encompasses Economics 101 and Mathematics prerequisites) and Stat 227. If you have not mastered the material that is covered in the prerequisite courses, please contact the instructor.

Instructor:

Quinn Weninger 471 Heady Hall 294-8976
Email: weninger@iastate.edu
Office Hours: TR, 11:10-12:00 AM or by appointment.

Class Schedule:

Lecture	TR	10:00-10:50 AM	BESSEY 0210
Lab	T	2:10-4:00 PM	CURTISS 0015
Lab	W	2:10-4:00 PM	AGRON 2020

Class Web Site: <http://www.econ.iastate.edu/classes/econ335/weninger/index.html>

Texts:*

1. Carlton, D.W. and J.M. Perloff. Modern Industrial Organization. 3rd Edition New York: Harper-Collins, 2000 (CP)
2. Church, J. and R. Ware, Industrial Organization: A Strategic Approach, McGraw Hill, 2000 (CW)
3. Pepall, L. D. Richards and G. Norman. Industrial Organization: Contemporary Theory and Practice. Cincinnati: South-Western College Publishing, 1998 (PRN)
4. Brickley, J. A., C. W. Smith Jr. and J. L. Zimmerman, Managerial Economics and Organizational Architecture, Irwin McGraw-Hill Publishing, 1997 (BSZ)

*These books have been placed on reserve at Parks Library. Students are not required to purchase text books, only to read the assigned material.

Class Philosophy: This course will focus on the economic theory of firm behavior and market structure, conduct and performance. The goal is to provide students with a solid understanding of how markets function to allocate scarce resources. Economic models will be used extensively. The world is simply too complex to consider it in its entirety. Abstraction through the use of economic models allows us to organize and focus on important elements of a complex reality, which in turn, facilitates understanding.

My goal as an instructor is to introduce students to the theories that economists use to understand agricultural markets, and to convince students of the power of economic thinking. If you can learn to think like an economist you will benefit from this class, you will enjoy this class, and you will most likely receive a top grade in the class.

You will be required to engage in class lectures, complete problem sets and write a term paper which analyzes a problem in industrial organization. You will be asked to understand economic principles rather than consume facts and information. You will learn to apply the economics principles to a variety of market settings.

Student Evaluation:

Students will be required to analyze complex economic problems as they relate to the structure, conduct and performance of agricultural markets. The student's main objective should be to learn how to think critically and creatively about the economic concepts and problems that are discussed in class. Grades will, to the extent possible, reflect how well the student understands and can apply the economic principles covered in class.

Midterm examinations (30%): There will be 2 in-class midterm examinations. The first will be worth 10% and the second will be worth 20% of the course grade.

Final examination (25%): The final examination will be cumulative. It will be administered during the scheduled final examination period. University policy requires students take the final exam at the time scheduled unless students have three examinations on that day.

Problem sets (20%): There will be roughly 8 problem sets during the semester. Problem sets provide an opportunity to explore and apply the concepts that are discussed during the lecture period. Late problem sets will not be accepted unless you have informed the instructor prior to the due date that you will be unable to meet the deadline due to circumstances beyond your control. You may hand in the problem sets early.

Quizzes (10%): In-class quizzes will given regularly throughout the semester. Five randomly chosen quizzes will be graded.

Term Paper (15%): Students will prepare a term paper that analyzes an issue related to industrial organization. Additional details are provided in a separate handout.

Final grade assignments*

Score	Grade
>85%	A
75-85%	B
60-75%	C
50-60%	D
<50%	F

* this is a guideline subject to modification at the instructor's discretion.

Cheating and plagiarism is unacceptable.

Class and Problem Set Schedule		
Lecture Topic	Reading	Problem set
Introduction	CP 1	1. Algebra and Calculus
The theory of the firm	CW 3, CP 2	
Transactions and coordination costs	CW 3, CP 2	2. Firm Boundaries
Property and decision rights	CW 3, CP 2	
Incentives/contracts	CW 3, CP 2	
Neo-classical models of the firm	CW 3, BSZ 5	3. Cost Min., Profit Max.
Cost minimization	CW 3, BSZ 5	
Profit maximization	CW 3, BSZ 5	
Economies of scale and scope	CW 3, BSZ 5	
Competitive markets		4. Perfect Competition
Midterm Examination I		
Social welfare	CP 3	
Monopoly	CP 4	
Monopsony	CP 4	5. Monopoly, Monopsony, Welfare
Price discrimination	CP 9, PRN 3	6. Price Discrimination
Game Theory	Handout	
Midterm Examination II		
Duopoly	CP 6	7. Cournot Competition
Duopsony	CP 6	
Oligopoly/Oligopsony	CP 6	8. Oligopoly models
Limit pricing and predatory behavior	CP 11	
Strategic entry deterrence	CP 11	
Final Examination	Mon., Dec. 13, 9:45-11:45 a.m.	

CP - Carlton and Perloff text.

CW - Church and Ware text.

BSZ - Brickley, Smith Jr. and Zimmerman text.

PRN - Pepall, Richards and Norman text.

Any student who feels s/he may need an accommodation based on the impact of a disability should contact me privately to discuss your specific needs. Please contact the Disability Resources Office at 515-294-6624 in room 1076, Student Services Building or email the office at awoniyib@iastate.edu to coordinate reasonable accommodations for students with documented disabilities