Instructors: Joe Balagtas & Ken Foster
Offices: KRAN 557 & KRAN 653
Phones: 494-4298 & 494-1116
Office Hours: TBA
Clerical Assistant: Marcy Halsema (KRAN 591)

Course Description:

The objective of this course is to enable students to use microeconomic theory and econometric tools to work on real-world economic problems and issues. Students will work on applied problems and the associated theories of producer or consumer behavior from the perspective of: How do you make the theory work for you? Through extensive homework exercises, students will develop in detail applied problems in producer and consumer behavior. For example, students will be asked to take a specific article, dealing with a particular functional form of either utility, cost, profit, or production function and work out all of those steps replaced by phrases such as obviously or it is easily shown. In most, if not all, instances this will be followed by either trying to replicate the empirical example of the paper or exploring the application of the technique to another data set. In addition, emphasis will be placed on testing hypotheses derived from theory under the assumptions of the various constructs. For example, students will determine what can be said about the slopes of decision functions (supply and demand) when risk aversion is incorporated into production models. Exercises to test such hypotheses will also be assigned on a regular basis.

Prerequisites:

Economics  607
Ag Economics  651

Texts:

Grading:

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<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Problem Sets</td>
<td>24%</td>
</tr>
<tr>
<td>Journal Article Review (2)</td>
<td>10%</td>
</tr>
<tr>
<td>Midterm Exam</td>
<td>33%</td>
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<tr>
<td>Final Exam</td>
<td>33%</td>
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Policies:

1. Academic Integrity: Incidents of cheating on Exams or plagiarism on Manuscripts or Critiques will result in a failing grade for the course. If you are uncertain what constitutes cheating or plagiarism, then it is your responsibility to schedule a meeting with the instructor to discuss these issues before the end of the first week of the semester.

2. Incomplete grades are not given in AGEC 619 unless extremely extenuating circumstances warrant.

3. Late assignments will be graded by deducting points from the lowest score among those earned by students who turned their assignments in on time.

4. If you have circumstances that require special arrangements, then it is your responsibility to bring these needs to the attention of the instructor. You should do so in the first week of the semester.

5. In the event of a major campus emergency, course requirements, deadlines and grading percentages are subject to changes that may be necessitated by a revised semester calendar or other circumstances beyond the instructor’s control. These changes will be communicated to you via e-mail.

Course Outline:

I. Why Do We Dual?

II. Review of Methodology
   A. Direct and Indirect Functions
   B. Comparative Statics: Primal-Dual Approach
   C. Distance Function

II. Dual Estimation
   A. Flexible Functional Forms:
      - Motivation and Flexibility
      - Functional Structure (homogeneity, homotheticity, substitution, separability)
      - Some Popular Examples: AIDS, LA-AIDS, Translog, Generalized Leontieff, Quadratic, Normalized Quadratic, CES
   
   B. Static and Deterministic Econometric Models
      - Profit Max, Cost Min, Expenditure Min, and Utility Max
C. Static Econometric Models with Risk Aversion and Risk Neutrality
   - General Short-Run Approaches: Expected Utility max, Expected profit max.
   - Linear-Mean Variance Expected Utility Approach
   - Long-Run Approach
   - Modeling Expectations with Distributed Lags

****** Semester Mid-Point and Change of Instructors ******

III. Imperfect Competition
   A. NEIO Models of Market Performance
      - Models of Aggregate Market Performance
      - Microeconometric Models of Firm Behavior
   B. Models of Price Transmission
      - Time Series/Cointegration Models of Vertical and Spatial Price Transmission

IV. Structural Change
   - Non-monetary Demand Influences
   - Technical Change and Bias

V. Qualitative Choice Models

VI. Models of Choice in Dynamic Settings

Important Dates:

Midterm Exam        - October 19
Final Exam          - TBA
Critiques (2)       - September 21
                   - November 16

Texts on Library Reserve:

Chambers, R. Applied Production Analysis.
Cornes, Richard, Duality and Modern Economics
Deaton, A. and Muellbauer, J. Economics of Consumer Behavior.
Silberberg, E. The Structure of Economics: A Mathematical Analysis.

Course Website:

http://www.agecon.purdue.edu/academic/agec619/