AGEC 640 Agricultural Development and Policy
Purdue University · Department of Agricultural Economics

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Secretary: Linda Klotz 631 Krannert Bldg. 494-4208 (o)

Class Meetings: T Th noon-1:15 in Rawls 1071
Office Hours: MWF noon-1:00 in my office; drop-ins welcome at other times
Also... Download this syllabus in PDF format if desired

OVERVIEW

In this course we analyze how the agricultural sector changes over time, interacting with government policies in both the farm and nonfarm sectors. Our goal is to explain and predict major trends and differences across countries, using economic theory to explain and predict what governments will do and how agents operating in the food and farm sectors are likely to respond. Lectures and homework assignments are used to provide insights into economic aspects of a wide range of issues affecting the agricultural sector.

OFFICE HOURS

Note that I am generally available during the times listed above, and more generally on class days. I maintain an "open door" policy regarding office hours. However, I have a number of commitments other than AGEC 640, so I strongly recommend that you make an appointment to see me to guarantee that I will be available when you come to my office. Use of email for questions and scheduling of appointments is strongly encouraged. To schedule an appointment, contact my secretary, Linda Klotz (phone: 494-4208, email lklotz@purdue.edu).

PREREQUISITES

The course is designed for first-year graduate students. There are no specific prerequisites, but more advanced students with stronger backgrounds in economics will be able to apply that knowledge in the context of this course. Readings are intended to be accessible for all graduate students, and can be interpreted at various levels of depth.

LEARNING OBJECTIVES

1. Provide students with an understanding of the agricultural sector, its evolution, and the role of policy in shaping the sector.
2. Provide students with analytical tools relevant to the study of the agricultural sector.

3. Provide students with a classroom environment that is conducive to learning and skill development, which is supportive of student expression of ideas and opinions.

CLASS PROCEDURE

This course follows a lecture format with homework assignments and exams used to reinforce understanding of class material. Student participation in class discussion is expected. All information regarding the course, including assignments and the class schedule is available via the course home page at: http://www.agecon.purdue.edu/academic/agec640/

COURSE STRUCTURE

The course begins with a brief overview of the major policy issues and drivers of change in the food and agricultural sector around the world. We then spend the bulk of the semester building up the analytical methods and results developed by economists to explain and predict household choices, market outcomes and government policies, starting with farm households’ decisions over production, consumption and trade. We consider the role of biological constraints, first for nutrition and health, and then for farm productivity, and ask how those constraints can be overcome through technology and specialization. We ask how market prices are formed, how market outcomes respond to various kinds of changes, and what (if anything) we can infer from those outcomes about changes in the well-being of market participants. We then examine the evidence on what governments actually do across countries and over time, and try to explain those interventions in economic terms. The focus of the course is on these modern “political economy” explanations of policy choices, in which government actions are explained as the result of equilibrium among optimizing people in both the public and private sectors. The course concludes with presentation and discussion of student projects.

READINGS

A complete course packet is available for purchase at BoilerCopy, in the Purdue Union; some readings are also on-line, with links provided from this syllabus and the course website. Others will be distributed, as needed, in class.

HOMEWORK ASSIGNMENTS

Links to the three homework exercises are included in the electronic version of this syllabus; opening those documents online offers you live links to the data sources need to complete the assignment.

PROJECT

Your semester-long project is expected to be an analytical review of the literature on a researchable question. This will help you get started on a thesis or other research paper, offering the chance to conduct a deeper analysis of the existing literature than might otherwise be possible. Some students
may already have access to interesting data and an appropriate method, in which case it might be possible to use the project as a vehicle to produce an original research paper instead of a literature review.

I can advise you on what topics are likely to prove most fruitful. Often I will encourage you to do this course project on the same topic as other work you are pursuing so as to specialize and achieve a deeper level of analysis, but sometimes it is preferable to diversify and start research on something new. Please read (and re-read) carefully the guidelines for the course project as you work on it.

The final result of the project is a written report. The report has a length limit of 20 double-spaced pages, inclusive of all charts, tables and references. You will also present your report in class, using a maximum of five slides. For the class presentation the five-slide limit will be strictly enforced, to help you practice distilling results into a very brief message that can be communicated visually and in person.

To make the project as productive as possible, we will proceed in stages. Immediately after the midterm exam and October break, you must email to me a title and brief (one-paragraph) description of your chosen topic by 9:00 am on Thursday October 14th, so we can discuss them in class that day. This will allow you to learn from others’ topics and modify your goals accordingly. You must then submit a rough first draft to me for comments (due in class on Tuesday, November 16th), well before you are scheduled to present the results in class (on November 30th, December 2nd and December 7th). The final written report is due in my office by 5pm on the Friday before finals week (December 10th).

EXAMINATIONS

Two exams will be given. A mid-term exam will be held in class immediately prior to October break. A final exam will be given during the regular final exam period. These exams are designed to test understanding of concepts and course material. Each exam will have equal point value. The two exams will cover material from both the readings and the lectures, for which slides will be posted online on the day of each lecture. The final exam will be comprehensive, covering both halves of the course.

GRADING POLICY

The final course grade will be computed from points earned from homework assignments, examinations and a course project, as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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</thead>
<tbody>
<tr>
<td>Homework assignments (3 @ 10% each)</td>
<td>30%</td>
</tr>
<tr>
<td>Course project</td>
<td>30%</td>
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<tr>
<td>Exams (2 @ 20% each)</td>
<td>40%</td>
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<tr>
<td>Total</td>
<td>100%</td>
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</tbody>
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COMMUNICATION

Please note that my primary out-of-class method of communication will be via email to your Purdue email address. I will not generally attempt to contact you at email addresses other than your Purdue email address. It is your responsibility to check for mail on a regular basis. I recommend checking your Purdue email account at least once every 24 hours.

SPECIAL NEEDS

If you have a disability that requires academic adjustments, please make an appointment to meet with me during the first week of classes to discuss your needs. Please note that university policy requires all students with disabilities to be registered with Adaptive Programs in the Office of the Dean of Students before classroom accommodations can be provided.

ACADEMIC INTEGRITY

University policy on academic dishonesty is clear: academic dishonesty in any form is strictly prohibited. Anyone found to be cheating or helping someone else cheat will be referred directly to the Dean of Students for disciplinary action. Penalties are severe and may include dismissal from the University. The risks associated with cheating far outweigh the perceived benefits. Academic dishonesty includes citing someone else's work as your own, using "cheat sheets" or sharing your answers with someone else. If you are unsure whether your planned action constitutes academic dishonesty, seek clarification from your instructor. Other information regarding your rights and responsibilities as a student are contained in the Purdue University Code of Conduct.

CAMPUS EMERGENCIES

In the unusual 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. To get information about changes in this course visit the course home page, contact me by email at shivelyg@purdue.edu, or call me at my office (494-4218) or at home (743-6439).
CLASS TOPICS AND READINGS

Optional Background Material (not required, not in readings packet)

Week 1. Introduction and background
8/24  What’s ahead? Introduction to Agricultural Development and Policy
8/26 Some context: The world food and financial crises of 2007-09 [+ class profile]
Readings:

Week 2. Introduction to agricultural policy
8/31 Farm and food problems: the development paradox and structural transformation
9/02 Mouths to feed, farmers to employ: population growth and demographic transition
Readings:

Homework #1: Drivers of Change (due Thursday 9/9 in class)

Week 3. Farm households, the “industrialization” of agriculture, and technology
9/07 Does agriculture industrialize?
9/09 Input use, R&D and technology adoption
Readings:

Week 4. Nutrition and food markets
9/14  Nutrition, health and human capital  [+feedback on hw #1]
9/16  Imperfect information and food demand

Readings:

Homework #2: Food prices, nutrients and the least-cost diet (due Tues. 9/28 in class)

Week 5.
9/21  No class
9/23  No class

Week 6. Market equilibrium and social welfare
9/28  Market equilibrium with trade and policy
9/30  Policy incidence and social welfare: value and limitations of economic surplus

Readings:

Mid-term Exam (to be given Thursday 10/7 in class)

Week 7. Mid-term review and exam
10/5  Wrap-up and pre-exam review
10/7  Mid-term exam

Project Assignment #1: topic for the course project (due by 9:00 am Thurs. 10/14)

Week 8. October break
10/12  Oct. break -- no class
10/14  Discussion of exam results, course project topics and literature sources (short class ending at noon)

Week 9. Policies and their impacts
10/19  Measuring policies: distortions and investment
10/21  Indirect and unintended consequences

Readings:

**Week 10. Measuring policies across countries and over time**
10/26 Nominal and effective protection
10/28 Aggregate measures of support

**Readings:**

**Homework #3:** Markets, market failures and policy failures (due 11/02)

**Week 11. Explaining policies: economics of the public sector**
11/02 Markets: how far reaches the invisible hand?
11/04 Policy: how well can market failures be remedied?
  The tragedy of the commons, prisoner's dilemmas and the Coase Theorem
  Optimal regulation, Pigouvian taxes and economics of the second-best

**Readings**

**Week 12. Rent-seeking and political economy**
11/09 Political economy and public choice
11/11 Review/help session

**Readings**

**Project assignment #2: First draft of the literature review (due Tues 11/16 in class)**

**Week 13. Political economy of agricultural policy (continued)**
11/16 The stylized facts of agricultural policy
11/18 Political economy theories and hypothesis tests

**Readings:**

**Week 14. Thanksgiving break**
11/23 Political economy review and discussion
11/25 Thanksgiving (no class)

**Project assignment #3: in-class presentation with slides (coming soon!)**
**Week 15. Project presentations**
  11/30  Student presentations: Group A
  12/02  Student presentations: Group B

**Week 16. Wrap-up and review**
  12/07  Student presentations: Group C
  12/09  Review for final exam

Project paper (due Friday 12/10 in KRAN 656 by 5:00 pm)

Final exam (place and time to be announced)