

AGEC 622
FOOD SYSTEM ORGANIZATION AND POLICY
SYLLABUS

Instructor: John M. Connor, Room 590 Krannert, Telephone: 49-44260

Office Hours: Monday to Thursday after class

Objectives:

1. To develop an understanding of advanced concepts in industrial-organization theory that are useful in analyzing problems and issues facing the food marketing systems of industrialized and industrializing countries.
2. To attain the capacity to conduct and appraise state-of-the-art empirical research on the market structure, conduct, and performance of the agricultural marketing industries, not only quantitative analyses employing econometric techniques but also including industry case studies and subsector analyzes.
3. To achieve an understanding of the relationship of market structure analysis to the strategic decisions facing firms in different market environments.
4. To become familiar with the U.S. antitrust laws and other public policies that affect performance of the food and agricultural production/distribution system.
5. To develop an appreciation of the role of research in the formation of competition policies and in the evaluation of policy alternatives.

Prerequisites:

This course is designed for Ph.D.-degree students, but some M.S.-degree students in their second or third semester of studies may be qualified. Three background courses are essential. First, a semester graduate course in intermediate microeconomics, such as ECON 511 or equivalent. This course should have covered price determination of the firm in a perfectly competitive market and under monopoly; elementary treatment of the measurement of social welfare changes, consumers' surplus, and producers' surplus is desirable. Second, an intermediate course in applied price analysis, (preferably AGECE 506) or a one-semester undergraduate course in industrial organization. Third, at least concurrent enrollment in STAT 512, AGECE 650, or an equivalent course in econometrics is required; STAT 511 probably provides insufficient background.

Text:

Martin, Stephen. *Advanced Industrial Economics*, Oxford: Blackwell Publishers (1993).

There will be extensive readings taken from John M. Connor, *et al.*, *The Food Manufacturing Industries: Structure, Strategies, Performance and Policies*. Lexington, MA: Lexington Books (1985). Other good texts are Shy (introductory), Tirole (advanced theory), and Scherer and Ross (encyclopedic).

Grading:

A contract due the second week of class specifying the weights (see below) for each of three activities will be returned to the instructor by the end of the second week of classes. The contract cannot be altered without the unanimous consent of all regularly enrolled class members. If two or three students wish to co-author a paper, they may do so, but each author will receive an identical grade.

Weekly presentation	25% - 50%
Term paper	25% - 50%
Final written exam	<u>25% - 50%</u>

TOTAL	100%
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Presentations:

This course will be run as a graduate seminar. We meet four times per week. Except for the first and last class meeting, the first 50 to 75 minutes of each seminar will begin with a lecture by the instructor that will cover the required readings for the day. The remaining time will be given to short (10 to 20 minutes) presentations of a published research paper by class members. Following that, there will be a short comment and questioning period. The presenter will summarize and critique the paper's problem or motivation, objective, model, data sources, and conclusions. The critic should point out positive features of the research, but focus on possible flaws in the model or estimation procedures. Students will be assigned the reading in the previous class. Presenters will be graded for each class presentation by the instructor; consideration will be given to preparedness, clarity, handouts or overheads, responsiveness to questioning, and other qualities expected of a discussant at a professional meeting. Grade averages will be reported periodically to class members.

Term Paper:

An original paper of 15 to 30 pages on an approved industrial organization economics topic will be due at the end of August. Late papers will lose about one-third of a grade. Co-authorship is permitted, but a slightly higher standard of quality may be expected. The term paper may consist of a survey of a practice or observed performance outcome, a measurement or methodological issue, or an analysis of a policy that affects economic performance. The topic should be approved after discussion with the instructor. The paper will be graded according to the appropriateness of the theory used, relevance of facts assembled, and persuasiveness so the logic used to arrive at principal conclusions. Papers that would be accepted by a professional economics journal editor for review will receive an A or A- grade.

Final Exam:

A comprehensive written examination covering all the materials in the text and other required readings, instructor's lectures, and student presentations. The test will cover skills and knowledge acquired in the course, as described in the "objectives" section above.

AGEC 622OUTLINE

- A. **The framework of industrial organization analysis:** Survey of the welfare economics of competition, monopoly, and oligopoly.
- B. **Concentration:** Aggregate concentration, market concentration, and determinants of concentration.
- C. **Barriers to Entry and Exit:** Economies of scale in production, multiplant economies of scale, capital markets, other economies, behavioral barriers and empirical findings.
- D. **Oligopoly Conduct:** Oligopolistic interdependence, uncertainty, and dominant firm behavior; measuring conjectural variations; overt agreements, price leadership, rule-of-thumb pricing, focal-point pricing, product heterogeneity, changing cost structures, lumpiness of demand, secrecy, and sociology.
- E. **Studies of Market Structure and Performance:** Profits, price-cost margins, price variation studies, profit persistence, and single-industry times-series; oligopoly and oligopsony.
- F. **Price-Fixing and Market-Sharing Policies:** U.S. antitrust law, Non-U.S. competition policies, conscious parallelism, tacit collusion, and data reporting by trade associations.
- G. **Technological Change and Market Structure:** Invention and innovation, R&D, patents, market structure, welfare, and empirical studies.
- H. **Policies Toward Monopoly:** Monopolization, and attempts to monopolize; horizontal mergers, predatory pricing, and abuse of market position.
- I. **International Trade, Foreign Direct Investment, and Competition.**
- J. **Miscellaneous Topics,** if time available:
- Price Discrimination and the Robinson-Patman Act,
 - Vertical integration, vertical restraints, vertical merger laws,
 - Firm diversification, conglomerate behavior, conglomerate merger laws.

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CONTRACT

I choose the following weights for grading purposes in this class. It is understood that these weights will remain unchanged unless permitted by a unanimous vote of the rest of the students in the class.

	<u>Percentage</u> <u>Weights</u>
1. Ten to 12 weekly presentations (25%-50%)	
2. Term paper (25%-50%)	
3. Final written exam (25%-50)	
TOTAL MUST ADD TO	100%

Signed _____ Date
(Student)

Signed _____ Date
(Instructor)