Course Syllabus for Applied Economics 8803
Marketing Economics, Spring 2014
8:45 –10:25 Monday and Wednesday, Room: B30

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Office hours: Please feel free to come and see me at any time to discuss the class material, assignments, etc. Just drop by my office, or send me an email.

Course Description:
The objective of this course is provide students with the theoretical and methodological foundations to perform analyses of economic problems in food and agricultural markets that do not conform to the perfectly competitive model. In particular, students will be exposed to the structural and semi-structural supply/demand models in order to analyze firm’s behavior and their strategic interactions under the assumptions of various market constructs; e.g., models of homogenous vs. differentiated product markets, entry, and competition in multiple variables.

Textbook:
We will not use a textbook in this course. However, I recommend the following very useful background texts:

Course Requirements:
Students will be evaluated on the basis of two/three problem sets, a paper critique and a final exam.

Grading:
Problem Sets (2-3): 35%
Paper Critique 15%
Final: 50%

Problem Sets and Cooperative Learning
Working on problems is one of the best ways to assess your understanding and to help you solidify new concepts. I believe that you may well benefit from working together in small groups on homework assignments. Therefore I encourage cooperative work on assignments in groups of two people. You can submit your completed answers as a group.

Final Exam: The final exam is in class on Wednesday March 10, 2014.
Critique
Course work includes a critique of a journal or conference paper that is published on or after 2003. The paper can be related to production, managerial, marketing economics or industrial organization fields in the Agricultural Economics literature. The main purpose of this exercise is to get you familiar with the literature in your area of interest and improve your critical writing skills. Critical reading and analysis provides an opportunity for you to think creatively and independently, and helps you achieve a comprehensive understanding of the concepts and their implications to your particular interests. The critique should not exceed 2 pages, written in 12pt and double spaced. Detailed guidelines for writing a critique is attached to this syllabus.

COURSE POLICIES:
Class attendance: You are expected to be in class and you are fully responsible for all information disseminated in class including deadlines, reading assignments, and examination dates and times. All students, regardless of either the A-F of S-N grading system, will be expected to do all work assigned in the course. You may not make commercial use of your notes of lectures or University-provided materials without my express written consent.

For complete information on Makeup Work for Legitimate Absences, please see: http://policy.umn.edu/Policies/Education/Education/MAKEUPWORK.html

For more information on Appropriate Student Use of Class Notes and Course Materials: http://policy.umn.edu/Policies/Education/Education/CLASSNOTESSTUDENTS.html

Academic Integrity: Academic integrity is essential to a positive teaching and learning environment. All students enrolled in University courses are expected to complete coursework responsibilities with fairness and honesty. Failure to do so by seeking unfair advantage over others or misrepresenting someone else’s work as your own, can result in disciplinary action. The University Student Conduct Code defines scholastic dishonesty as follows:

Scholastic dishonesty means plagiarizing; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; altering forging, or misusing a University academic record; or fabricating or falsifying data, research procedures, or data analysis.

Within this course, a student responsible for scholastic dishonesty can be assigned a penalty up to and including an "F" or "N" for the course. If you have any questions regarding the expectations for a specific assignment or exam, ask.

Note: In this class, you are encouraged to work together on homework assignments but are expected to write up your own answers. In other words, asking questions about how to do a problem and working together to figure out how to do a problem is perfectly acceptable, while simply copying someone else’s answers is not acceptable.

Disability Syllabus Statement: The University of Minnesota is committed to providing equitable access to learning opportunities for all students. Disability Services (DS) is the campus office that collaborates with students who have disabilities to provide and/or arrange reasonable accommodations.

If you have, or think you may have, a disability (e.g., mental health, attentional, learning, chronic health, sensory, or physical), please contact DS at 612-626-1333 to arrange a confidential discussion regarding equitable access and reasonable accommodations.

If you are registered with DS and have a current letter requesting reasonable accommodations, we encourage you to contact your instructor early in the semester to review how the accommodations will be applied in the course.

Mental Health Syllabus Statement: As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating, and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance or reduce your ability to participate in daily activities. University of Minnesota services are available to assist you with addressing these and other concerns you may be experiencing. You can learn more about the broad range of confidential mental health services available on campus via www.mentalhealth.umn.edu.

For more information on Disability Accommodations, please reference Disability Services: [http://ds.umn.edu/Students/index.html](http://ds.umn.edu/Students/index.html)

For more information on Mental Health Services, please see Mental Health Website: [http://www.mentalhealth.umn.edu](http://www.mentalhealth.umn.edu)

Grading and Transcripts: For additional information, please refer to: [http://policy.umn.edu/Policies/Education/Education/GRADINGTRANSCRIPTS.html](http://policy.umn.edu/Policies/Education/Education/GRADINGTRANSCRIPTS.html)

Sexual Harassment: For additional information, please consult Board of Regents Policy: [http://www1.umn.edu/regents/policies/humanresources/SexHarassment.html](http://www1.umn.edu/regents/policies/humanresources/SexHarassment.html)

COURSE OUTLINE AND SCHEDULE:
The following course outline is subject to change as particular areas of class interest arise. Specific topics to be addressed include (* denotes the required reading):

I. Introduction, Review of Basic Market Structures (2 Lectures)

- **Topics:** Monopoly: entry-exit, cost of monopoly, price discrimination, cartels, dominant firms and the residual demand. **Oligopoly:** Non-cooperative games, Bertrand, Cournot and Stackelberg models

- **Readings List:**
  - Carlton & Perloff Chapters 3–6
  - Church & Ware Chapters 8–10
  - Tirole Chapters 1,3,5.

II. Concentration and Consolidation in Food Industry: The distribution of welfare in the presence of market power (2 Lectures)

- **Topics:** Measures of concentration, market power, competition in successive stages of a vertical market, vertical integration

- **Readings list:** (No of required: 2)

- **HW1:** TBD

III. Empirical Approaches to the Studies of Industrial Organization (1 Lecture)

- **Topics:** Structure-Conduct-Performance paradigm, structural empirical industrial organization (aka New Empirical Industrial Organization)

- **Readings List:** (No of required: 1)


Carlton & Perloff Chapter 8

IV. Structural, Semi–Structural Models

A. Markets with homogeneous products (2 lectures)

• **Topics**: Identification, conjectural elasticities, estimation

• **Readings List**: (No of required: 3)

  
  
  


• **HW2**: TBD

B. Markets with differentiated products (4 lectures)

• **Topics**: The dimensionality problem, representative consumer models, random utility models, estimation

• **Readings List**: (No of required: 7)


Carlton & Perloff Chapter 7: Product Differentiation & Monopolistic Competition

• HW3: TBD

C. Competition in multiple strategic variables (1 Lecture)

• Topics: capacity, advertising, R&D, product line length

• Readings List: (No of required: 2)


V. Endogenous Market Structure (Time Permitting)

• Topics: Strategic behavior, entry, two stage games

• Readings List: (No of required: 2)


VI. Information (Time Permitting)

- **Topics**: Uncertainty, information asymmetry, moral hazard, adverse selection

- **Readings List**: (No of required: 2)
  
  


  Carlton & Perloff Chapter 13: Information

VII. Review (1 Lecture)

FINAL EXAM: MARCH-10
Guidelines for Writing Critiques

The outline of your critique should be as follows:

- Bibliography of the paper
- Brief summary of the major ideas
  - objectives
  - main ideas and problem statement
  - contentions and/or hypotheses
  - what’s new and innovative
- Conclusions/Implications
  - a brief re-statement of the conclusions
  - synthesis of the implications of the research
- Critical evaluation
  - is the logic sound?
  - is the theory correct/adequate?
  - are the objectives met?
  - is the empirical methodology appropriate?
  - are the conclusions consistent with empirical results?
- Constructive suggestions for the author(s)

Before you start your critique I would recommend you to read at least two more papers focusing on the same subject or using a similar methodology. You can choose the first paper from the reference list of the reviewed paper. This will help you learn about the existing literature at the time of its publication and give you an idea about its contributions. The second paper you chose should be published after and should cite the reviewed paper. This will give you a further understanding of its contributions and limitations. Your critique should include the following:

1. Look for the objectives of the study. If objectives are not clearly stated this is a major shortcoming of the study and should be pointed out to the authors. If the objectives are clear then restate them succinctly in the abstract of your review to make sure that you and authors are starting from the same perspective.

2. Look for the major ideas, contentions and/or hypotheses of the authors. Try to determine the author’s justification for his/her contentions. Often this takes the form of a model of economic theory, a statement of a general logic or a common belief among a subset of the population (e.g., Farmers believe that without collective action on their part via farmer co-operatives, processors would exercise market power in their input markets.). Your task, as a reviewer, is to examine the logic or theory to determine if it is correctly applied and the implications have been correctly derived.
3. Point out what is new and innovative about the author’s approach or model and how it adds to the existing literature.

4. Examine whether the methods are appropriate and properly implemented, and whether the results of the empirical analysis correctly interpreted.

5. You should avoid negativism and degrading comments in writing critiques. Constructive criticism is the key. Every review should include a list of suggestions for the authors to improve their paper. These suggestions can include issues concerning the main aspects of the paper (objective, theory, data, methodology, results...etc) as well as typographical errors, writing style and organization. By including such suggested changes in the review you give the author(s) a place to begin in addressing your concerns about their work.