

# FOUNDATIONS OF AGRICULTURAL ECONOMICS: SELECTED TOPICS

## **Instructors**

Prof. Dr. Dr. h.c. Ulrich Koester  
University of Kiel  
Department of Agricultural Economics  
Wilhelm-Seelig-Platz 6/7  
24118 Kiel  
Phone: 0431/8804436  
ukoester@ae-uni-kiel.de

Dr. Linde Götz  
IAMO  
Theodor-Lieser-Strasse 2  
06120 Halle/Saale  
Phone: 0345/2928327  
goetz@iamo.de

## **Course Description**

The course is supposed to provide an update, upgrade or extension for students who hold a Master degree honoured by a foreign university. The content aims at harmonizing the state of knowledge. A fairly broad and large program is offered, which may be adjusted according to the course participants' preferences. The aim of the course is not mainly to teach tools. Instead, it is intended to stimulate critical thinking and to challenge some assumptions of neoclassical theory.

## **Credit Points**

3

## **Organisation and time**

The course is organised as a block seminar. It will be held March 8 (Monday)-13 (Saturday, 2010 at the IAMO in Halle/Saale.

## **Time schedule**

The present plan is to have 4 hours (4 times 45 minutes) teaching and discussion in the morning. The afternoon should start with solving a real and actual economic or agricultural economic problem which is not necessarily related to the teaching material in the morning class, but which a good graduate student should be able to solve. It is suggested that groups of about 3 participants try to solve the problem in about 60 minutes. Thereafter follows a discussion in the plenum for about 30 minutes. After this session participants are expected to read about 20 pages (2 hours reading time) and try to solve the distributed questions which are related to the teaching material in the morning.

## **Course Outline - Topics**

### 1. Methodology in economics and the role of agricultural economics

- What is economics?
- The method of knowledge creation (deductive versus inductive methods),
- The problem of value judgments
- What economists do and should do?
- The task of a public economist

### 2. Specifics of agricultural markets and the agricultural sector

- Classification of markets and implications for exchange and its relevance for agriculture
- Transaction costs as a main determinant of productive interactions
- Specifics on the demand side and the relevance for neoclassical approach to economics
- Specifics on the demand side and the relevance of neoclassical economics
- Specifics of price formation for agricultural products and factors
- Macroeconomic development and agriculture

### 3. Price formation on the land market

- Price formation on factor markets: The neoclassical theory and its limitations
- The relationship between product and land prices in a neoclassical world
- The relevance of transaction costs
- The relevance of expectation and uncertainty
- The impact of selected policy instruments on land markets

### 4. The impact of technical change on factor and product prices and the adjustment of the agricultural sector

- Types of technical change

### 5. Specifics of agricultural trade

- Definition of technological progress
- The importance of technology from a macroeconomic view
- The importance of technology from a sectoral point of view
- Alternative Classifications of technical progress
- Sectoral effects of technical progress
- In a close economy of a relatively small sector and relatively small country
- In an open economy of a relative small sector and relatively small country

## 6. Evaluation of agricultural policies

- The limits of cost-benefit analysis based on traditional welfare economics
- The importance of market failure
- The importance of governance
- A framework for policy assessment

### **Literature**

A detailed list of references will be provided in the course. However, it is only expected that participants read the following publication before the class starts:

**Koester, U. (2007):** The Common Agricultural Policy. In: El-Agraa (Ed.): The European Union. Economics and Policies, 8th Edition, Cambridge University Press, Cambridge, pp. 373-410.

### **Grading**

Oral exam on March 13 (Saturday), 2010

### **Course language**

English