

Exam III Review

Fall 2009

Exam III: Nov. 24th (except for those who notified me for Nov. 20th)

Alternative Market Structures (Chapter 7, Schrimper, Class Notes, and Class Handouts)

- Be sure to understand and identify the differences in the classification criteria for various market structures (e.g., number of buyers/sellers, product differentiation, ease of entry/exit, market information, and whether they are a price taker or a price maker)
- How do the supply and demand curves facing individual firms vary in the perfect competition models vs imperfect competition models?
- Be able to discuss or show graphically how price and quantity are determined in each market structure model. Recall that economists utilize a variety of models to attempt to describe pricing behavior in an oligopoly market structure.
- What is the difference between an oligopolist and an oligopsonist? What about a monopolist vs. a monopsonist?

Structure-Conduct-Performance – Class Notes and Various Handouts

- Identify the main variables that an economist evaluates in terms of market structure, market conduct, and market performance.
- Review the definitions on the back of this page which relate to the structure, conduct and performance model
- Be able to define and calculate concentration ratios such as CR-4 and CR-8.
- Graphically illustrate the goal of advertising. What is the difference between brand name and generic (commodity promotion) advertising?
- Be able to distinguish between pricing and operational efficiency. Recall that perfect competition yields the maximum pricing and operational efficiency, but we as consumers are willing to accept some inefficiency to gain product differentiation, variety, convenience, etc.
- Discuss some of the concerns and benefits of imperfect competition for both producers and consumers.
- Provide some examples of how governments can intervene in food markets to impact market structure, conduct and performance

Make sure you review:

U.S. Agriculture: Retail Food Prices Grew Faster Than the Prices Farmers Received for Agricultural Commodities, but Economic Research Has Not Established That Concentration Has Affected These Trends

<http://www.gao.gov/products/GAO-09-746R>

Market Failures: When the Invisible Hand Gets Shaky

<http://www.ers.usda.gov/Amberwaves/November08/Features/MarketFailures.htm>

Price Discovery (Chapter 8, Schrimper)

- Distinguish between price determination and price discovery.
- Identify and briefly distinguish among various price discovery systems.
- What factors effect the adoption of a particular price discovery method?
- What is vertical integration? Provide an example in agricultural markets.
- Why is contracting increasing relative to other price discovery systems?
- Distinguish between a marketing contract and a production contract.
- Identify some advantages and concerns of contracting (sellers vs buyers vs consumers).