AEB 6933
Macroeconomics and Microeconomics of Agricultural Finance

Instructor: Professor Charles B. Moss
1175 McCarty Hall
352-294-

Prerequisites: AEB 6145 Agricultural Finance or equivalent, either AEB 7572 Econometric Methods or AEB 6553 Elements of Econometrics, and AEB 7182 Agricultural Risk Analysis and Decision Making or consistent of the instructor.

Office Hours: My office hours are Monday and Wednesday from 1:30 – 3:30, and Tuesday and Thursday 9:30 – 11:30. I will meet with students by appointment outside these hours if I receive a request by Email at least 24 hours in advance.

Course Descriptions: This course extends the traditional managerial analysis of agricultural finance presented in introductory and intermediate classes in agricultural finance. The course starts with the neoclassical economic model of the capital market then extends this formulation to include principal agent problems, arbitrage models of the capital market, and macroeconomic models of money and banking.

Course Objectives:
- Provide students with an economic perspective of the flow of capital into agriculture.
- Develop knowledge of the effect of monetary and fiscal policy on agriculture through capital markets.
- Extend econometric skills to include the ability to analyze financial markets.

Textbooks: This course draws on a wide array of published material. As such, we will not use one textbook. I will put a copy of each book on reserve and keep a copy of each text in my office to be signed out for 12 hours. These textbooks include

Williamson, Oliver E. 1985 The Economic Institutions of Capitalism. The Free Press.
**Grading:** Grades will be assigned based on the weights presented in Table 1. Table 2 presents my scale for assigning letter grades; however, I reserve discretion to lower this scale.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homework</td>
<td>15 %</td>
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<tr>
<td>Midterm Examination</td>
<td>35 %</td>
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<tr>
<td>Final Examination</td>
<td>45 %</td>
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<tr>
<td>Class Participation</td>
<td>5 %</td>
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**Table 2. Grading Scale**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage of Total</th>
<th>Points</th>
<th>Numeric GPA</th>
</tr>
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<tbody>
<tr>
<td>A</td>
<td>96-100</td>
<td>4.00</td>
<td></td>
</tr>
<tr>
<td>A-</td>
<td>92-95</td>
<td>3.67</td>
<td></td>
</tr>
<tr>
<td>B+</td>
<td>88-91</td>
<td>3.33</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>84-87</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>B-</td>
<td>80-83</td>
<td>2.67</td>
<td></td>
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<tr>
<td>C+</td>
<td>76-79</td>
<td>2.33</td>
<td></td>
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<tr>
<td>C</td>
<td>72-75</td>
<td>2.00</td>
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</tr>
<tr>
<td>C-</td>
<td>68-71</td>
<td>1.67</td>
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<tr>
<td>D+</td>
<td>64-67</td>
<td>1.33</td>
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<tr>
<td>D</td>
<td>60-63</td>
<td>1.00</td>
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<tr>
<td>D-</td>
<td>56-59</td>
<td>0.67</td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>0-55</td>
<td>0.00</td>
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**Tests & Assignments:** The midterm and final will be given in class. If the student knows he or she will not be able to take the midterm on the pre-announced date, he or she may arrange to take the test before that date. If the student misses the test because of an excused unplanned reason (i.e., illness), the final will be used to assign the grade on the midterm. Homework assignments will be posted online on Fridays, the assignments are then due before 5:00 on the following Friday.

**Attendance Policy:** Attendance to all scheduled classes is required. Absence due to university approved activities (i.e., absences for other class activities or student participation in professional meetings) must be approved in advance. Students missing class due to illness must contact me as soon as possible. I reserve the privilege to request medical documentation for frequent or extended illnesses. Missed classwork (i.e., tests and homework) will only be rescheduled in the cases of approved absences or illness.
Course Outline

I. Capital Markets
   A. Neoclassical Theory of the Capital Market
      - Hirshleifer *Investment, Interest, and Capital* Chapters 2, 3, 4.
      - Moss *Agricultural Finance* Chapter 2.
   B. Equity, Ownership, and Entrepreneurism
      - Moss *Agricultural Finance* Appendix A
      - Williamson *The Economic Institutions of Capitalism* Chapters 1 – 5.
   C. Debt and Equity Market

II. Equilibrium Models in Capital Markets
   A. Value of Farm Assets and Arbitrage Equilibrium

B. Ratio Analysis and Asset Valuation

• Moss *Agricultural Finance* – Chapter 2

C. Models of Risk and Capital Markets

• Ingersoll *Theory of Financial Decision Making* – Chapters 2, 7, 8, 9 (Also online materials from [http://ricardo.ifas.ufl.edu/fin6446.financetheory](http://ricardo.ifas.ufl.edu/fin6446.financetheory)).
• Moss *Risk, Uncertainty, and the Agricultural Firm* – Chapter 9.

III. Macroeconomic and Capital Markets

A. Austrian Models of Capital Markets

• Hayek *The Pure Theory of Capital* Chapters 1, 2, and 3.

B. Agricultural Policy and Credit Markets


C. Advanced Models from Monetary Economics