

## SYLLABUS

### EEP 142: Industrial Organization with Applications to Agriculture & Natural Resources

UC Berkeley, Agricultural and Resource Economics

Spring 2015

Kristin Kiesel

Office: Giannini 223

Email: [kiesel@berkeley.edu](mailto:kiesel@berkeley.edu)

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*!Please read this information carefully. It describes important course policies and deadlines, and I will assume that you are familiar with them!*

**Lectures:** Mo/We 5:00 – 6:30pm, Donner Lab 155

**Discussion sections:** Mo 3:00 – 4:00pm, 54 Barrows (101, Xi Lu)  
We 9:00 – 10:00am, 174 Barrows (102, Xi Lu)  
We 4:00 – 5:00pm, 240 Mulford (103, Joshua Fujino)  
Fr 2:00 – 3:00pm, 2011 Valley LSB (104, Joshua Fujino)  
*There will be no sections during the first week of classes!*

**Office hours:** We 10:00 – 11:00am, Giannini 223  
*Please feel free to schedule appointments with me at other times as well. The best way to meet me outside of office hours is to email me and schedule a time. If you have any problems with this course, or with any other matters that may affect your work in this course, please contact me as soon as possible and we can try to work out a solution.*

GSI's:

Tu 1:00 – 3:00pm, Giannini 236 (Xi Lu)

email: [luxiare@berkeley.edu](mailto:luxiare@berkeley.edu)

Fr 8:30 – 10:30am, Giannini 236 (Joshua Fujino)

email: [jofujino@berkeley.edu](mailto:jofujino@berkeley.edu)

**Course overview:** This course is a primer on Industrial Organization (IO), combining the latest theories with empirical evidence about the organization and interactions of firms and industries. We will cover firms' strategies: price competition, product differentiation, price discrimination, predatory pricing, vertical integration. In addition we study the effects of public policy on markets focusing on regulatory laws and antitrust policy.

**Prerequisites:** EEP 100, or Economics 100A or 101 A

**Stata:** Stata is a powerful data analysis tool and this class will introduce you to basic data analysis and simple regressions in Stata. We will use Stata to test empirical predictions derived from theoretical models, and interpret our results. If you want to purchase your own copy, you can take advantage of student pricing

(<http://www.stata.com/order/new/edu/gradplans/student-pricing>). The small Stata, \$35 for a 6 month license and \$69 for an annual license will be sufficient for this class. There are also a number of labs on campus that have Stata installed on computers. The data lab (<http://www.lib.berkeley.edu/wikis/datalab/>) at Doe Annex 189 is a good place to start for this option. Additional help might also be available at this location.

### **Learning objectives:**

This class will allow you to:

1. Attain a solid understanding of the basics of microeconomic theory—costs, competition, monopoly, barriers to entry, and externalities—as the foundation of Modern Industrial Organization.
2. Explore more recent theoretical developments in the theory of oligopoly and monopolistic competition.
3. Explore how those theoretical insights can be taken into markets and used in empirical analyses.
4. *Deepen your understanding of applied microeconomic theory*
5. *Improve your academic reading skills.*
6. *Learn data analysis skills.*

⇒ Begin to acquire research skills!

**Required Text:** Modern Industrial Organization. Dennis W. Carlton and Jeffrey M. Perloff (Fourth edition)

Additional readings will be posted on our class website at bCourses: <https://bcourses.berkeley.edu/>

### **Grades and exam policies:**

Exams: There will be one take home midterm exam and one take home final that will be posted on bCourses. The Midterm is due **at the beginning of lecture on Monday, March 16<sup>th</sup>**, and the final is due in my office on **Wednesday, May 13<sup>th</sup> at 10 am**. The exams will consist of a variety of types of questions and will require a solid understanding of the material covered in class and Problem Sets. Exam answers are graded based on the correctness, and the quality of the economic reasoning in the answer. Sometimes people give a correct answer but do not explain their answer well enough or write down all the steps, and sometimes people give an incorrect answer that shows solid economic reasoning, but with one or two minor mistakes, or typos. Thus, partial credit for all questions will be given.

**There will be no make-up exams, and no late submissions.** If, due to a serious illness or family emergency, you are unable to hand in one of the exams, your final grade will be based solely on the remaining assignments. You must contact me immediately with appropriate documentation in order to receive this accommodation.

Problem Sets: There will be five Problem sets. They will be introduced and discussed in detail in sections. I encourage you to work in groups, but the final submission should be your own work. The same grading guidelines as outlined for the exam apply. **No late Problem Sets will be accepted.**

Quizzes: There will be a number of quizzes throughout the semester. You can complete the first quiz at home as it allows you to review basic microeconomic theory material. The remainder of quizzes will be in class throughout the semester and can happen at any time.

OPEC Game: You will be assigned into teams, develop a strategies and play several rounds of this game. More information on the game, and deliverables will be provided throughout the semester.

Final grade breakdown:

Midterm:	20%	(100 points)
Final:	20%	(100 points)
Quizzes	5%	(25 points)
OPEC game	5%	(25 points)
Problem Sets:	<u>50%</u>	<u>(250 points)</u>
	<b>100%</b>	<b>(500 points)</b>

The approximate final grade distribution is:

Percent	Grade
93 – 100%	A
90 – 92%	A-
85 – 89%	B+
75 – 84%	B

**Academic Honesty:**

Academic honesty is expected in this class. Academic misconduct will not be tolerated. Any incident will result in a failing grade for this course and be reported. For more information on academic misconduct and examples, see: <http://sa.berkeley.edu/conduct/integrity/definition>.

**Courtesy:**

As a courtesy to me and your fellow students, please be on time for class. Please **turn off all cell phones and devices not used for class purposes.**

**Disabilities:**

If you have a learning disability or a physical disability that requires accommodation, please let me know as soon as possible. For more information please see: <http://www.dsp.berkeley.edu/learningdisability>.

**Tentative Course Timeline:**

<b>Week</b>	<b>Topic</b>	<b>Readings (Carlton and Perloff, 4<sup>th</sup> ed.)</b>
Week 1 (We 1/21)	Introduction, Course Overview, and Review (The firm and costs)	Chapter 1 and 2
Week 2 (Mo 1/26, We 1/28)	Market Structures: Competition Monopoly, Monopsony and Dominant Firm	Chapter 3 and 4
Week 3 (Mo 2/2, We 2/4)	Cartels	Chapter 5
Week 4 (Mo 2/9, We 2/11)	Oligopoly, Game Theory	Chapter 6
Week 5 (We 2/18) <b>no class on Mo 2/16</b>	OPEC Game	
Week 6 (Mo 2/23, We 2/25)	Product differentiation and Industry Structures	Chapter 7 and 8
Week 7 (Mo 3/2, We 3/4)	Price discrimination and non-linear pricing	Chapter 9 and Chapter 10
Week 8 (Mo 3/9, We 3/11)	Information and Advertising	Chapter 13 and Chapter 14
Week 9 (Mo 3/16, We 3/18)	Information and Advertising (cont.) Midterm due at the beginning of lecture on Mo 3/16	
<b>Spring break: no class on Mo 3/23, We 3/26</b>		
Week 10 (Mo 3/30, We 4/1)	Strategic Behavior and Vertical Relationships	Chapter 11 and Chapter 12
Week 11 (Mo 4/6, We 4/8)	Strategic Behavior and Vertical Relationships (cont.)	
Week 12 (Mo 4/13, We 4/15)	Durability and Research and Development	Chapter 15 and Chapter 16
Week 13 (Mo 4/20, We 4/22)	Government policies and their effect	Chapter 19 and 20
Week 14 (Mo 4/27, We 4/29)	Government policies and their effect (cont.)	
<b>May 13th 10:00am</b>	Final take home due	

**I hope you will enjoy this class and I wish you a great, successful semester.**