

As of March 1, 2013

EEP 142 – Course Syllabus-
Spring Semester-

Sofia Villas-Boas

Industrial Organization with Applications to Agriculture & Natural Resources

Logistics:

We meet Tuesdays and Thursdays 8-9:30 am in 101 Barker

Please see b-space for all info. Please check announcements and resources weekly.

My contact is sberto@berkeley.edu

My office hours are

Mondays 4-5 in 232 Giannini, and Fridays 4-5:00 in 234 Giannini Hall, or by appointment (pls email me)

Graders office hours Mondays 10-11:00 am 234 Giannini (Andrew Stevens - awstevens2012@gmail.com)

Course Readings:

Main theoretical material is based on the textbook "*Modern Industrial Organization*, Dennis W. Carlton and Jeffrey Perloff, 3rd Edition, Reading, MA: Addison-Wesley, 2000." Copy of the textbook is available in the Moffitt Library. [C&P]

Optional Reading: *Introduction to Industrial Organization*, Luis M. B. Cabral, The MIT Press, Cambridge, MA, 2000.

Lecture notes are available online before each lecture, for each lecture. Students are expected to have them with them available online or in a printout each lecture. The lecture notes are based on current working papers in industrial organization, environmental regulation, and consumer behavior. Links to all working papers will also be available before each lecture they are discussed.

Stata:

Please purchase your own copy of the software Stata for your laptop or home computer. A single-user six-month license for Small Stata (sufficient for this course) is available through Berkeley's GradPlan for \$32. (An annual license is \$49.) Note that a license allows you to install the software on up to three of your own computers. See <http://www.stata.com/order/schoollist.html> to purchase (Select University of California, Berkeley, then look for the product you want). Software is delivered to campus for pick-up after your online purchase. Note: The Small Stata cannot handle more than 1000 observations. So I needed to cut all the samples for making the exercises and problem sets for this class.

Course Requirements:

Quiz 5%, 5 Problem sets 50% (10% each), Project and Participation (5%),
Midterm 15% Final Exam 25%

Former Students – EEP Alumni presentation:

During the semester we will listen to two EEP alumni and former students on how the major and this class enabled them to perform their current work

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Course Description tentative/ dates may change if we need time on several lectures and if pace is slower/ faster , but the order is this one:

For quiz. Review of Theory of the Firm and Cost Concepts, Demand, Welfare, Entry Exit

Introduction

Review of Theory of the Firm and Cost Concepts

Readings: Lecture Notes. C&P, chapters 1 and 2.

Demand curve, elasticity

Golden Pricing Rule

Competition Revisited

Monopolies

Welfare Loss

Entry and exit decisions

Short and long run

Readings: Lecture Notes. C&P, chapters 3 and 4.

Lecture 1 Introductory Lecture **Jan 22**

Take home quiz distributed and due Lecture 3 (January 29)

Course logistics

Lecture 2. Competition, Monopoly, Monopsony, Dominant Firm **January 24**

Competitive and monopolistic cases

[Applications: Electricity generation, farmers.](#)

[Applications: farmers, natural monopolies](#)

Motivation for material for next lecture on "Monopsonies and Dominant Firms"

Aggregating demand curves

Dominant Firm and competitive fringe

Creating figure 4.6

Monopsony

[Applications: Monopsony power in tomato harvesting](#)

Readings: Lecture Notes. C&P, chapter 3 and 4.

Lecture 3. Cartels **January 29**

Quiz is due

Motivation

Collusion experiment

Antitrust

Cheating

Deadweight-loss

[Applications: OPEC and CIPEC](#)

Readings: Lecture notes. C & P, chapter 5.

Lecture 4. Movie and more Cartel discussion **January 31**

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Lecture 5. Game Theory, Cournot Oligopoly **February 5**

Game Theory

Cournot Oligopoly

[Application: Oil production by Russia and OPEC](#)

Readings: Lecture notes. C&P, chapter 6.

Lecture 6. Oligopoly Models **February 7,**

Problem set 1 is due

Cournot model

Stackelberg model

Bertrand model

[Experiment in class on Bertrand Trap](#)

Escaping Bertrand trap: product differentiation

Best response functions

Readings: Lecture notes. C&P, chapter 6.

Lecture 7. OPEC example of a group project **February 12**

Lecture 8. Product Differentiation and Coffee Experiment in class **Feb 14**

[1. illustration of stating hypothesis and analyzing data,](#)–

Product differentiation

Lecture 9. Coffee and Hunger Games Stata Analysis **February 19**

Product differentiation

[implement olive oil experiment and survey answering](#)

2. and also go over last years' responses and findings. If time (are in notes)

Go over stata primer handouts

Lecture 10. analyzing effect of a policy X of Agents behavior Y **Feb 21**

[1. illustration of stating hypothesis and analyzing data, Sideways effects in Chicago –](#)

Product differentiation via negative and positive advertising

Lecture 11. Continuing Dif in Dif **February 26**

[Application: Environmental Sustainability Practices Labeling in Seafood and Consumer Responses.](#) *Readings: Lecture notes 10 and 11 and Fishwise Write up.*

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Lecture 12. Price Discrimination I **February 28** –

Problem set 2 due

Price discrimination

Application: Alcoa – group presentation today! Looking forward to it.

Robinson-Patman Act

Enforcement, secondary line PD: Gasoline, McCormick Spice

Readings: Lecture notes. C&P, chapter 9.

Also Sam Holmberg to be confirmed (Freeman Sullivan & Co), an EEP alumn will talk to the class

Don't forget to email me the group requirement by TODAY Feb 28th , a one page description of your group project with group members, to sberto@berkeley.edu.

PLEASE FILL THE ONLINE MID TERM EVALUATION FOR FEEDBACK ON HOW THE CLASS IS GOING AND AVENUES FOR IMPROVEMENT, THANK YOU.

Lecture 13. Non-linear pricing **March 5**

Two-part tariffs and **numerical example (per your evaluation requests of mid semester, thank you!**

Readings: Lecture notes 13. C&P, chapter 10.

Lecture 14. Price Discrimination in Ag and Resource Markets **March 7**

Agricultural marketing Orders, Welfare

Application/Enforcement, wholesale price discrimination: Gasoline

Lecture notes 14

Lecture 15, Environ Regulation & Arbitrage in Gasoline Markets, **March 12**

lecture notes 15

Pset 3 is due

Application/Enforcement, wholesale price discrimination: Gasoline

Lecture 16. Vertical Relationships, Contracts, Theory of the Firm. **March 14**

Group Project- Application: Joskow, 1987, contract length between coal suppliers & electric utilities

Reading: Lecture notes. C&P chapter 2, 12, and 19, Joskow, AER 1987.

start lecture 16 notes

Vertical Organization of firms

Vertical Integration

Make versus buy

Long-term contracts and relationship specific investments

Transaction costs theory

Agency theory (Moral hazard)

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Midterm- take home due March 15th at 1pm- see instructions on the midterm pages, please

Lecture 17 Empirical Research on Asymmetric Information Information March 19

Lecture 17 notes

Experience goods

Adverse Selection Lemons (not edible) problem

Search costs Tourists-Natives model , Information and Quality

Reading: Lecture notes 16. C&P chapter 13.

[Restaurant Hygiene grade cards regulation -](#)

Application: Information and Quality provision Restaurant hygiene Grade cards

Application: The internet Search costs and price levels, menu costs, price dispersion

Reading: Lecture Notes 17 and . Leslie and Jin, 2003. Scorse, 2003.

Lecture 18. Toxic Release Inventory Top Ten, Env Regulation March 21

1. Finish advertising decisions and quantity decision example from lecture 17 notes

[Carbon Print, Pollution Big Top Ten - Lecture 18 group project](#)

Application: Do State Pollution Rankings Affect Facility Emissions?

Evidence From The U.S. Toxic Release Inventory

2. **Lecture 18 notes:** Effects of Environmental Content Regulation on Gasoline Prices and Price Volatility

Link to JEEM article: Reformulating competition Gasoline content regulation and wholesale gasoline prices Jennifer Brown, Justine Hastings, Erin T. Mansur and Sofia B. Villas-Boas :

http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6WJ6-4PBDPVH-1&_user=4420&_coverDate=01%2F31%2F2008&_rdoc=1&_fmt=high&_orig=search&_sort=d&_docanchor=&_view=c&_acct=C000059607&_version=1&_urlVersion=0&_userid=4420&md5=0fb3f3a2260c4c00e792062b83ee95cd

Spring Break – March 25 to 29

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Lecture 19. Franchising, Revenue Sharing, and Strategic Behavior , April 2

Group projects:10 - [Franchising group project](#)

Pset 4 is due

Case 1. Franchise

Case 2. Do franchises have different incentives than company owned chain restaurants in providing hygiene quality?

Do mandatory cities have the same improvements in quality as voluntary cities?

Lecture notes 19

Lecture 20. Strategic behavior April 4

Predatory Pricing , Predation and Acquisition of Rivals , Limit Pricing , Raising rivals' costs , Case: Costco gasoline below cost sale case

Reading: Lecture Notes 20. Lecture notes strategic behavior

Network effects as a theoretical background for Microsoft case , Commitment

Predatory Pricing

*Application: American Tobacco Trust **group project***

Predation and Acquisition of Rivals , Limit Pricing

Application/Enforcement, primary line PD: Utah-Pie not this year

Application: Network effects as a theoretical background for Microsoft – done lecture 19

Application: Open Competition Plan – lumber mills

Application: Joint Executive Committee railroad cartel.

Joint Executive Committee Cartel – not in 2012

Predation ATT Tobacco – **group project**

Readings: Lecture notes 20 C&P chapter 11. Microsoft case chapter 19 and web-resources.

Lecture 21. Durability, R&D April 9

If needed rap up strategic behavior notes.

De beers Lecture, group project

Monsanto, group project

Durable Good, Coase's Conjecture, Rent versus sell

Applications:De Beers, diamonds cartel

Patents and Technological Change

Patent length, market structure and Research and Development (R&D)

Readings: Lecture notes 21. C&P chapters 15 and 16.

Lecture 22. Advertising April 11

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Group projects:

General Advertising, - and 14- General Advertising Got Milk - group project

Advertising Application: General Advertising: Got milk? Application: Advertising as a barrier to entry ,

Lecture notes 22

Lecture 23, How to evaluate Effects of Regulation for pollution reduction?/ Appeals to Spare the Air Effects _ **April 16**

Due Problem set 5

Group project: – Clean Air Act and the value of clean Air

Does Air Quality Matter, Evidence from the Housing Market”

Kenneth Chay & Michael Greenstone, Clean Air Act -

Spare the Air Day appeals on driving Steven Sexton paper

TO BE CONFIRMED: Also Taj Walton (Altman Vilandrie), an EEP alumn will talk to the class. *Lecture notes 23*

Lecture 24. Regulation, Deregulation **April 18**

Group projects:

Regulation and the effects of the DOJ Leniency Program - Leniency-Enron –

Beer Buyout Project

How Leukemia risks affect home prices.

Antitrust , Regulation and Deregulation

Collusion and Horizontal Mergers Merger analysis , US horizontal merger guidelines

Guidelines on vertical restraints Application:

Mergers in vertically separated milk markets

Antitrust Laws and Policy Cases: Price supports in agriculture Cross-subsidization

Applications: Electricity Deregulation, Enron

Reading: Lecture notes. Web-resource on Cases, like Enron. US Merger Guidelines, C&P chapters 19 and 20.

Lecture notes 24 and Nate Miller AER paper.

Lecture 25. Biofuels **April 23**

Group projects:

Introduction to Biofuel - The Demand for Ethanol as a Gasoline Substitute

(Soren Anderson, 2011)

Car standards - project

Lecture notes 25.

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IF TIME PERMITS:

Lecture 26. Env Regulation of Nox and Firm decisions, Fowlie, 2012 April 25

Measuring effects of sustainability labeling on Demand

Lecture 27. April 30

[Food Prices](#) - show how high commodity prices get passed through into retail prices
Berck, Leibtag, Solis and Villas-Boas - show how local brands pass through price

Last day of teaching in semester is April 30 Tuesday

Final exam will be emailed to you today. due date to be announced later.

NOTE THIS SYLLABUS IS TENTATIVE AS OF March 1, 2013

I will update it based on pace of lectures and your feedback, Looking forward to a great rest of semester,,
Sofia