SYLLABUS FOR ECONOMICS 220A
INDUSTRIAL ORGANIZATION

DEPARTMENT OF ECONOMICS, UNIVERSITY OF CALIFORNIA, BERKELEY

Overview
This is the first course in the graduate sequence on industrial organization and regulation. The course and the readings apply price theory and game-theoretic techniques to explain industry structure, conduct, and performance. Among the topics we will study are the determinants of market structure, strategic interactions among firms, the effects of structure and conduct on prices, non-price dimensions of market performance, vertical organization, and network effects. The emphasis is on general theoretical principles. Students are expected to have a background in price and game theory at the level of Economics 201A and 201B. This course is preparation for Economics 220B (Regulation and Public Policy) and Economics 220C (Empirical Methods in Industrial Organization).

Office Hours and Contact information
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Office Hours: Wednesdays 10:00–11:00 (except October 5th) and by appointment.

Class Meetings
Wednesdays, 8:00–10:00 (except October 5th), in Room 608–7.

Web-based Material
Course materials can be found at http://faculty.haas.berkeley.edu/hermalin/econ220a.html

Texts and Other Readings
Required Text
Other Readings

Other readings can be found on JSTOR, through the electronic collection of the Long Library (http://www.lib.berkeley.edu/BUSI/ejournals.html)—hereafter, denoted long—or on the course web page as indicated below.

Some students may wish to explore the material covered in greater depth. I am happy to supply additional references for those students upon request.

Grading and Exams

Grades will be based on three assignments and a takehome final exam. Each assignment counts towards a sixth of your grade. The final counts for the remaining half. If you wish, you can write an original research paper in lieu of the last assignment and the final exam. Please talk to me no later than October 12th if you wish to take this option. If you do, the research paper will count for 2/3rds of your grade.

Lectures, Readings, and Assignments

Assignments

On the course web site you will find three assignments (or, at the very least, the first). These are essentially problem sets. On the assignments, but not the takehome final, you may consult with your fellow classmates. Each student, however, is responsible for turning in his or her own completed assignment. The first assignment covers pricing and quality. The second assignment covers Bertrand and Cournot competition. The third assignment covers vertical control.

Tentative Lecture Schedule and Assignment Due Dates

Disclaimer: This is a plan. It is potentially subject to change. Any changes will be announced with as much advanced notice as possible. It is more important to me that you understand what is covered, then that I cover everything.

1. Introduction and Review of Pricing and Perfect Competition
   - Tirole, §1.1.1–1.1.2 and pages 133–152 (you may omit §3.3.2)
   - B. Hermalin, Lecture Notes for Economics, Part I (on class web site)*

*This overlaps considerably with the Tirole reading for this lecture; you probably only want to read one or the other (but skim through the one you don’t read for non-overlap material).
2. Product Selection, Quality, and Advertising
   9/7
   • Tirole, Chapter 2
   • Y. Fong, “When do experts cheat and whom do they target?,” RAND
     kellogg.northwestern.edu/faculty/fong/htm/RAND_final.pdf)

3. Bertrand Competition  
   9/14
   • Tirole, §5.1–5.3, §6.3, §6.7

4. Cournot and Product Differentiation  
   9/21
   • Tirole, §5.4–5, §5.7, Chapter 7
   • Assignment #1 due

5. More on Competition  
   9/28
   • A. Mas-Colell, M. Whinston, and J. Green, Microeconomic Theory,
     §10.F

6. Vertical Control I  
   10/12
   • Tirole, Chapter 4
   • Assignment #2 due

7. Vertical Control II  
   10/19

8. Entry Deterrence I  
   10/26
   • Tirole, Chapter 8

9. Entry Deterrence II  
   11/2
   • Tirole, §10.1–10.5
   • Assignment #3 due

10. Research and Development  
    11/9
    • Tirole, §10.6

11. Network Economics  
    11/16
    • Tirole, §10.6

†Let me know if this URL doesn’t work—I have alternative means of distributing the paper.
12. Two-sided Markets
11/23

13. IO and Internal Organization
11/30

14. IO and Finance (and Review)
12/7

‡Optional Reading.