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University of Virginia
Department of Economics

Spring Semester 2016

ECON [4195]: Undergraduate Empirical Industrial Organization

General Introduction: Industrial Organization is the field of economics that studies the operation and performance of markets and the behavior of firms in these markets. IO addresses such questions as: What determines market structure, or the identity and number of the market participants, the products they offer, the extent to which the various production stages are organized within a single firm instead of each being done by a separate firm? What are the determinants of a firm's market power, or its ability to charge prices higher than the marginal cost it faces to produce its goods? Modern Empirical Industrial Organization addresses questions of this sort by focusing on one industry at the time and using well-founded models that reasonably approximate the behavior of firms in these markets.

Prerequisites: Econ 3010, Econ 3720.

Course Time: T-Th, 11:00am-12:15 pm.

Office Hours: Mondays, 2-3:30pm, my office.

TA and his Office Hours. There is a TA, her name is Zhou Zhang. Email: zz9fh@virginia.edu. Her office hours are on Wednesdays, 1-3pm, and she will hold them in the Monroe basement.

Method of Evaluation: Participation (5%), Homework Assignments (35%), Presentation (20%), Paper (40%).

Mini-Paper, with weight distributed as follows:

- 3 Economic questions and why they are important (Motivation): 5%.
- Literature Review: 5%.
- Description of the Industry: 5%.
- Empirical Model and Identification Strategy: 5%.
- Final Presentation: 5%.
- Final Paper Set-Up: 15%.

Discussion Sections: We will hold "computer work" sessions to help solving problems. The discussion sections are an integral part of the course, and student attendance is expected. We will use the discussion sections to expand on ideas presented in the text and in the lectures, to present new material, to discuss homework problems, and to provide an opportunity for students to ask questions about anything that requires clarification.

Drop Date: January 27, 2015; with W, March 18, 2014.

Textbook: *Quantitative Techniques for Competition and Antitrust Analysis*, by Peter Davis and Eliana Garces, Princeton University Press, 2010. See Calendar at bottom for more details.

Helpful References:

- *Industrial Organization: Markets and Strategies*, by Paul Belleflamme and Martin Peitz.
- *Modern Industrial Organization*, Carlton D. and Perloff J., , Harper and Collins.

Participation in the Class.

Attendance at lectures is optional but will count for the participation grade. Students will be called on in class. Tardiness is discouraged (and penalized one point for each occurrence). Any disruptive behavior (e.g. reading a book during the lecture, using a pc during a class, texting on your cell phone, etc...) also will result in a lower participation grade.

Homework:

I will hand out homeworks. We allow collaboration on homework assignments, and **encourage you to work in study groups of at most 4 students**. You should turn **one** assignment for each study group. You cannot turn in photocopies of the assignment. Assignments that are **late** will not be accepted.

The Mini-Paper

The class is heavily geared towards the completion of the paper. This is the main objective of this class.

The paper must consist of the following components:

- 1) Question, Motivation, Objective
- 2) Description of the Industry.
- 3) Empirical Model and Identification Strategy.

Remarks: You do not need to worry about making sure that you have data in order to complete the paper assignment. We will focus on learning how to find a question, determine whether it is interesting, making sure that nobody has examined it already, and figuring out how you would implement the full blown research project if you were fortunate to have the “ideal” dataset (indeed, figuring out what the “ideal” dataset would be is part of the exercise).

Presentations

You will present research papers that I will select and post on Collab.

You are required to use Power Point for your presentation.

Each presentation will be made by two students, who have prepared the paper together. They may split the presentation as they like. Each student will make two presentations.

For each paper, students will have to describe (briefly, given the time constraint):

- 1) Question, Motivation, Objective
- 2) Empirical Model
- 3) Description of the Data
- 4) Identification Strategy
- 5) Results
- 6) Limitations

Honor Policy.

I trust every student in this course to comply with all of the provisions of the UVa Honor System. By enrolling in this course, you have agreed to abide by and uphold the Honor System of the University of Virginia.

- All graded assignments must be pledged, including the homework.
- You may not access any old problem sets, old exams, answer keys without my explicit permission.
- When given permission to collaborate with others, do not copy answers from another student.
- Always cite any resources or individuals you consult to complete an assignment.
- All suspected violations will be forwarded to the Honor Committee and at my discretion, you may receive a grade of zero on that assignment regardless of any action taken by the Honor Committee.

Please let me know if you have any questions regarding the course honor policy.

If you believe you may have committed an Honor Offense, you may wish to file a Conscientious Retraction (“CR”) by calling the Honor Offices at (434) 924-7602. For your retraction to be considered valid, it must, among other things, be filed with the Honor Committee before you are aware that the Act in question has come under suspicion by anyone. More information can be found at www.virginia.edu/honor.