

# **ECON 440: Industrial Organization and Public Policy**

## **Syllabus**

### **Fall 2009**

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Course Web Page: Visit Blackboard

TA info: TBA

This course is concerned with the workings of markets and industries – how the firms compete with each other. It starts from what you learnt in the micro theory course but then deviates from that quickly since this course deals more with real world market structure where only a few firms compete (unlike the monopoly or perfectly competitive models emphasized in the micro theory course.) Market power and firm strategies to acquire and retain market power become the focus of study. We will also analyze the resultant effect on economic efficiency and social welfare and discuss public policies to address the situation.

#### ***Prerequisites:***

Grade of C or better in ECON 360; also grade of C or better in college level statistics (A-required from 2-year school). Prerequisites must have been *completed* prior to taking the course. (That is, a prerequisite course taken in the Fall 2009 will not qualify.)

#### ***Resources:***

**Text: *Industrial Organization – Theory and Practice* by Don E. Waldman & Elizabeth J. Jensen, 3<sup>rd</sup> ed., (Addison Wesley, 2007).**

I may recommend additional reading materials when needed .

#### ***Course Outline: (tentative)***

##### *Basics of IO:*

1. Introduction: What is IO? (Ch 1)
2. Firms & Their Costs (Ch 2)
3. Review of Perfect Competition and Monopoly (Ch 3)
4. Market Structure: Market Concentration, Entry & Exit, & Mergers (Ch 4)

##### *Modern Industrial Organization: Game Theory and Strategic Behavior:*

5. Monopoly Practices (Ch 5)
6. Game Theory: a framework for understanding Oligopolistic Behavior (Ch 7)
7. The First set of Theories on Oligopoly: Cournot, Bertrand & Stackelberg (Ch 8)
8. Collusion (Ch 9)
9. Oligopoly Behavior: Strategies to Deter Entry (Chs 11 & 12)

*Business Practices:*

10. Product Differentiation & Advertising (Ch 13)
11. Technical Change & R&D (Ch 14)
12. Price Discrimination (Ch 15)
13. Vertical Integration & Vertical Relationship (Ch 16)
14. Network Issues (Chapter 5)

*Public Policy*

15. Regulation and Deregulation (Ch 17)

**Grades:**

Your final grade in this course will be based on your grades in **short in-class pop quizzes (10%), two in-class mid-terms (20%, and 30%, respectively) and a cumulative Final (40%).**

**Exams and Exam dates:**

- Mid-term Exam 1 – October 1**
- Mid-term Exam 2 – November 5**
- Final – TBA**

**THERE WILL BE NO MAKE-UP MID-TERMS.** If you miss a mid-term due to a legitimate reason (e.g., severe personal illness, or death in the family), your course grade will be determined by your performance in the other two exams. But you have to inform me (in person, by phone, or by e-mail) before the exam, and provide documents justifying your claim later (by the following seven days). If you do not inform me before the exam or if you miss an exam without a legitimate reason, you will get a zero/F in the missed exam.

**ECONOMICS DEPARTMENT POLICY REGARDING MAKE-UP FINAL EXAMS**

**ALL** make-up final exams in Economics will be given **Friday, December 18 from 8:00 to 10:00 AM.** All officially scheduled final exams are linked from the [BU Brain](#) – check **NOW** for conflicts. If a conflict exists you may request a make-up exam from the instructor of **ANY** of the conflicting courses. If you choose to request a make-up exam for an economics course, a sign-up list to request the make-up exam will be available in class after the add/drop deadline – ask the instructor. Students **MUST** make their request for a make-up exam in economics **NO LATER THAN FRIDAY, October 9.**

It is **the student's responsibility** to learn from the instructor if the request has been approved. Only students who are approved may take a make-up final exam. Students who have not requested a make-up exam in an economics course by **October 9** will be required to resolve conflicting exams with the instructor in one of their other courses.

Make-up exams are approved **ONLY** for the following conditions:

- Conflicts with the **OFFICIAL** final exam schedule (e.g. exams at the same time or more than two exams within 24 hours).
- **DOCUMENTED** personal illness or family emergency

## *Quizzes*

Quizzes will be short: 10 – 20 minutes in duration - without any prior notice. There will be no make up quiz either. The main purpose is to ensure that you are up to date in your reading and understanding of the subject materials that have been covered in the class. Sometimes homework assignments may substitute for a quiz.

## **Five steps you can take to improve your grade**

Grades are earned. You receive a grade based on your performance on the examinations. Grades are not based on need or effort! If you need a particular grade, now is the time to earn that grade. The following simple suggestions can dramatically improve your performance in this course.

- *Attend all lectures.* Many important topics can only be learned by attending the lectures. The topics in this class are cumulative in nature. If you miss a lecture it will most likely compromise your ability to follow some subsequent lectures.
- *Practice good study habits and devote the correct amount of time to this class.* If you have spent some time with the subject matter of the lecture before the lecture, you will be in a much better position to identify difficult points and ask questions. I suggest the following study habits: review the appropriate section before the lecture, reread them after the lecture.
- *Ask questions in class, and office hours.* You should feel free to ask questions during the lecture. If you need more time to discuss a topic in greater detail you should see me as soon as possible during my office hours. Do not wait for the exams to ask for help!
- *If you are in trouble see me immediately.* If you think you are in danger of failing (or of getting a grade that you do not want) you should see me immediately. I will not give you an extra credit assignment or an incomplete to help you avoid failing, but I can make recommendations regarding drops, study habits, test taking skills, future courses, etc.

## ***Other Class Policies:***

- I will utilize the BU Blackboard facility pretty intensively in this course to facilitate dissemination of information. So visit Blackboard every day.
- Academic dishonesty on an examination or on a written assignment will result in a score of zero.
- The student must petition in writing for a grade change on a quiz or examination within 10 days of receiving the grade.
- **Incompletes** will be granted when "student is unable to complete a course for what...is a compelling reason. The submission of an incomplete means that a student has made a substantial commitment to the course, but some remainder of the work must still be accomplished before an evaluation can be made." (Bulletin 1999-2000, page 74-75. Students may not retake (sit in on) a course in a subsequent semester in order to complete an incomplete. I will not give incompletes to keep you from failing the course!
- I do not permit extra credit assignments.
- I may exclude a student from attending the class if the student's behavior becomes disruptive and impairs the class's ability to achieve the objectives of the course. (Handbook for Faculty and Professional Staff, "Faculty Student Relations.")