



Prof. Chrystie Burr  
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Economics 11  
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Course Canvas site

**Economics 4697-001**  
Industrial Organization & Regulation  
MWF, 12:00-12:50  
ECON 119  
Office Hours: MW 3:00-4:00

### Course Description:

Industrial organization is the study of competition and monopoly power and how they affect efficiency and innovation that occur in markets. Using the basic tools of microeconomic theory and game theory, this course explores the relationships among firms in an industry or across industries by examining the nature of strategic interaction among firms. The central issue concern firms' choice of price, quantity, and quality in markets where the assumptions behind perfect competition do not hold. Topics to be covered include: monopoly pricing, collusion and cartels, oligopoly behavior, product differentiation, price discrimination, firm entry and barriers to entry and mergers. We will also consider public policies that affect the structure of markets and the behavior of firms, particularly the antitrust laws that try to create a balance between the benefits of coordination and consolidation and the detriments of market power. Class will be a mixture of theory and case studies with an emphasis on the theory.

### Prerequisite(s):

Intermediate microeconomics (ECON 3070) is a prerequisite. You must also be comfortable enough with calculus so that you can differentiate fairly simple functions, such as polynomials and exponentials.

### Assessment:

- In-class presentation (10%)
- Attendance and participation (10%)
- 3 problem sets (20%)
- 3 exams (60%)
  - midterm I (15%)
  - midterm II (15%)
  - Final exam (30%) May 7 Mon 1:30pm-4:00pm
- All exams will be held in the usual classroom. All exams are closed book, closed notes. **Please bring a calculator.** *There will be no make-up exams.* Exams will test your cumulative knowledge with emphasis on the latest material.

- Problem sets, each composed of 3-4 problems will be posted on the class web page and it's due at the beginning of the class a week after being posted. Collaboration on assignments is allowed and encouraged, but final solutions must be written independently. Each student should participate fully in solving each problem and understand the answer. This is the preparation for the exams and at the same time it is meant for you to identify which concepts from the lecture is not clear to you.
- A group of 6-7 students will give a half-hour presentation of the case study that you selected at the beginning of the semester. You are required to use some means of visual aids (i.e. PowerPoint slides). This will contribute to 10% of your final grade.
- Cheating and plagiarism will not be tolerated. They are immediate grounds for failing the class and will be reported to the dean. All incidents of academic misconduct will be reported to the Honor Code Council.

### **Textbook, Case Studies, and Supplemental Materials:**

1. Required textbook: *Introduction to Industrial Organization* by Luis Cabral. 2<sup>nd</sup> Edition.
2. Harvard Business Review case studies can be purchased through links posted on the course Canvas site.
3. Supplemental readings: other relevant articles and references will be posted on the course Canvas site as well.

### **Course Policies:**

- **General**
  - Attendance is critical to succeed in this class. In order to incentivize you to do so, regular attendance will be taken. Together with in-class participation and discussions, this will contribute to 10% of the final grade. You will gain a full attendance grade by not missing more than three classes. Attendance will be taken using clickers. You are responsible to bring your clicker with you every class.
  - The deadline to drop the course with no record and at no cost is 11:59pm on Jan. 27. You can drop the course from MyCUInfo with a 'W' on the transcript between Jan. 29 to Mar. 18. After that, it requires signature from both your instructor and the Dean.
  - Students are responsible for all missed work, regardless of the reason for absence. It is also the absentee's responsibility to get all missing notes or materials.
- **Missed Exams**
  - Make-up exams for the midterms will not be given. Midterm exam absences will only be excused for compelling circumstances (family emergencies or documented illness), in which case the other course material will be re-weighted. Students anticipating conflict with an exam due to religious observance or over-scheduling (3 or more exams on the same day) should bring these to my attention within the first 3 weeks of class.
- **Special Accommodation:**

- If you require special accommodation because of disability, please submit a letter from Disability Services in a timely manner (at least two weeks before the exams or other due dates). Disability Services determines accommodations based on documented disabilities. You may contact Disability Services at 303-492-8671 or b email at dsinfo@colorado.edu. If you have a temporary medical condition or injury, see Temporary Injuries for guidelines and discuss your needs with your professor.

**Topics to be covers:**

- Unit 1: Introduction to Industrial Organization (Ch. 1)
- Unit 2: Review of Microeconomic tools (Ch. 2)
- Unit 3: Basic Pricing (Ch. 3.2)
- Unit 4: Price Discrimination (Ch. 6)
- Unit 5: Demand Estimation (Ch. 2.2 & 2.3)
- Case Study I: Pricing Strategy
- Unit 6: Introduction to Game Theory (Ch. 7.1)
- Case Study II: Pricing Game: Playstation vs Xbox
- Unit 7: Imperfect (oligopolistic) Competition (Ch. 8)
- Case Study III: Microsoft Antitrust Case
- Unit 8: Collusion and Cartels (Ch. 7.3 & 9)
- Case Study IV: The Diamond Cartel
- Unit 9: Entry and Market Structure (Ch. 10)
- Unit 10: Mergers and Merger Policy (Ch. 11)
- Case Study V: American Airlines and US Airway merger
- Unit 11: Market Foreclosure (Ch. 7.2 & 12)



*“Education is the most powerful weapon which you can use to change the world.”*

— Nelson Mandela