

University of Colorado
Department of Economics

ECON 4697: INDUSTRIAL ORGANIZATION AND REGULATION
FALL 2007

COURSE DESCRIPTION

This is a course in industrial organization, the study of firms in markets. Industrial organization focuses on firm behavior in imperfectly competitive markets, which are far more common than the perfectly competitive markets that were the focus of the basic microeconomics courses. Industrial Organization analyzes the acquisition and use of market power by firms, strategic interactions among firms, welfare implications and the role of government competition policy. We will approach this subject from both a theoretical and an applied perspectives. The field of industrial organization requires a thorough understanding of both theory and empirical work, so as much empirical evidence as possible will be included in this course although focus will be on theory.

INSTRUCTOR: *Professor Håle Utar*

Office 114, Economics

Phone 492 78 69

E-mail utar@colorado.edu

Office Hours TBA

TIME AND LOCATION Tuesday-Thursday between 12:30 and 1:45pm, ECON 117

TEXTBOOKS

- Industrial Organization: Contemporary Theory and Practice, Pepall, Richards, and Norman, Third Edition (Required)
- Industrial Organization: Theory and Practice, D. Waldman and E. Jensen, Third Edition (Recommended)
- Industrial Organization: Theory and Applications, Oz Shy, The MIT Press (Recommended)

There will be additional reading assignments during the course.

COURSE WEBPAGE

CULearn

<http://culearn.colorado.edu>

GRADING POLICY

You are expected to participate in the class and attendance is strongly encouraged. I will make unannounced quizzes, and the credits gained in these quizzes will be counted towards your grade in the following way. If you score an average of 80 % or more on the quizzes, one point will be added to your final grade score. Example: If you get a final score of 89, and you have an average of 80 % or more on the quizzes, your score will be increased to 90, which would give you A- instead of B+.

The final grade will be given as follows:

- Midterm Examination I, 20%
- Midterm Examination II, 20%
- Homework Assignments, 20%
- Final Exam, 35%
- Unannounced Quizzes, 5%

HOMEWORK POLICY

I will give regular homework assignments. You can work together with your classmates on the homework questions, but they must be written separately. Only three of the homework assignments will be graded. However you will not know before you submit your assignment if that particular assignment will be graded or not.

EXAM POLICY

There will be two midterm examinations and one final exam. Each problem in the exams will be graded. No show at the midterm with no valid excuse according to university policy will be graded zero. There will not be any make-up exam. If you miss an exam with a valid excuse then the final exam will weigh 55% towards your final grade.

COMMUNICATION POLICY

Methods of Communication

- Face to face conversation (Preferred)
- Phone call (For urgent situations)
- Email (For non-urgent and low priority matters only)

I will be available during my office hours and/or just after class for questions on both class materials and other course-related matters such as questions about the homework, concerns about the deadlines or missing classes, missing exams etc.. If you need to see me outside office hours, please make an appointment either during class, or by email, as I may not be available to see you if you come by without an appointment. The use of emails should be limited to brief communications such as keeping me informed or sending me files. Email is too time-consuming a method to give answers at any length to academic questions, such as homework questions or questions about what we covered in class. Please come by during office hours instead.

Grading Scale	
A	94 or above
A-	90 – 93.99
B+	86 – 89.99
B	83 – 85.99
B-	80 – 82.99
C+	75 – 79.99
C	70 – 74.99
D	60 – 69.99
F	below 60

TENTATIVE SCHEDULE

Basic Microeconomic Theory

- The Firm and Its Costs
- Perfect Competition
 - Perfect Competition in the Short-Run
 - Perfect Competition in the Long-Run
- Monopoly
 - Monopolist's Problem
 - Monopoly and Social Welfare
 - Cartel and Multi-Plant Monopoly
- Market Structure
 - Measuring Market Structure
 - Measuring Market Power
 - Entry
 - Exit
 - Mergers

Monopoly Power and Practices

- Price Discrimination and Welfare Implications
 - Linear Pricing: Third Degree Price Discrimination
 - Non-Linear Pricing: First and Third Degree Price Discrimination
- Product Variety and Quality under Monopoly
- Dominant Firm Price Leadership Model
- Contestable Markets

Empirical Evidence

Midterm I

- The Market Power and Performance
 - Statistical Tools to test the Structure-Conduct-Performance Paradigm
 - Measurement Issues
 - Conceptual Problems with SCP Studies
 - Sunk Costs and Market Concentration
 - The New Empirical Industrial Organization

Basic Game Theory

- Basics Concepts in Non-Cooperative Game Theory
 - Normal Form Representation of Games
 - Iterated Elimination of Strictly Dominated Strategies
 - Nash Equilibrium
 - Extensive Representation of Games

- Subgame Perfect Nash Equilibrium
- Repeated Games

Oligopoly Theory

- Markets for Homogeneous Products
 - The Cournot Model
 - The Stackelberg Model
 - The Bertrand Model
 - Collusion
 - Application of Cournot Model in International Trade

Midterm II

- Markets for Differentiated Products
 - Location Models
 - Monopolistic Competition in Differentiated Products with a Representative Agent
- Technological Change and Research and Development
 - Schumpeter and the Process of "Creative Destruction"
 - The Relationship Between Market Structure, Firm Size and Technological Advance
 - The Economics of Patent System
- Regulation and Deregulation (if time permits)
 - X-Inefficiency
 - Deregulation in Telecommunication
 - Privatization and Productivity
 - Trade Liberalization and Productivity

Final

ACADEMIC INTEGRITY

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu; 303 – 725 – 2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>

DISABILITY MESSAGE

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303–492–8671, Willard 322, and www.Colorado.EDU/disabilityservices

CLASSROOM BEHAVIOR

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to such behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat all students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which they and their students express opinions. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at <http://www.colorado.edu/studentaffairs/judicialaffairs/code.html# student-code>