

University of Colorado  
Department of Economics

ECON 4697: INDUSTRIAL ORGANIZATION AND REGULATION  
FALL 2010

COURSE DESCRIPTION

This is a course in industrial organization, the study of businesses in market settings. 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 theoretical and applied perspectives. The field of industrial organization requires a thorough understanding of both theory and empirical work, so while focusing on theory, as much empirical evidence as possible will be included in this course.

INSTRUCTOR: Professor Håle Utar

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OFFICE HOURS Monday 1:30 - 3:00pm

TIME AND LOCATION: MWF 11:00 - 11:50am, GUGG 205

REQUIRED TEXTBOOK

- Industrial Organization: Contemporary Theory and Practice, Pepall, Richards, and Norman, Third Edition

There may be additional reading assignments during the course.

COURSE WEBPAGE : CULearn

[culearn.colorado.edu](http://culearn.colorado.edu)

GRADING POLICY

You are expected to participate in the class and attendance is strongly encouraged. Unannounced quizzes may be given in class.

The final grade will be given as follows:

- Midterm Examination, 40%
- Final Exam, 55%
- Quizzes, 5%
- Extra Credit from Homework Assignments

## 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

## HOMEWORK POLICY

I will give regular homework assignments. You can work together with your classmates on the homework questions. Homework assignments will not be graded but quizzes on homework questions may be given on the days they are due. You will be also given opportunities to earn extra credit from solving homework questions in class.

## EXAM POLICY

There will be one midterm examination and one final exam. 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 95% towards your final grade. The date of the midterm exam will be announced in class. The date of the final exam will be determined by the university.

## 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.

## TENTATIVE SCHEDULE

### *Basic Microeconomic Theory*

- The Firm and Its Costs (Chapter 4 and lecture notes)
- Perfect Competition (Chapter 2 and lecture notes)
  - Perfect Competition in the Short-Run
  - Perfect Competition in the Long-Run
- Monopoly (Chapter 2 and lecture notes)
  - Monopolist's Problem
  - Monopoly and Social Welfare
  - Cartel and Multi-Plant Monopoly
- Market Structure (Chapter 3 and lecture notes)
  - Measuring Market Structure
  - Measuring Market Power
  - Entry, Exit and Mergers
  - Empirical Evidence
    - \* 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

### *Monopoly Power and Practices*

- Price Discrimination and Welfare Implications
  - Linear Pricing: Third Degree Price Discrimination (Chapter 5)
  - Non-Linear Pricing: First and Second Degree Price Discrimination (Chapter 6)
- Product Variety and Quality under Monopoly (Chapter 7)
  - A Spatial Approach to Horizontal Product Differentiation
  - Monopoly and Horizontal Differentiation
  - Monopoly and Horizontal Differentiation with Price Discrimination

- Dominant Firm Price Leadership Model

- Contestable Markets

### *Basic Game Theory*

- Basics Concepts in Non-Cooperative Game Theory (Chapter 9.1, 9.2, 9.3, 11.3 and lecture notes)
  - Normal Form Representation of Games
  - Iterated Elimination of Strictly Dominated Strategies
  - Nash Equilibrium

- Extensive Representation of Games
- Subgame Perfect Nash Equilibrium

*Oligopoly Theory*

- Markets for Homogeneous Products
  - The Cournot Model (Chapter 9.4)
  - The Stackelberg Model (Chapter 11.1)
  - The Bertrand Model (Chapter 10)
  - Collusion
  - Application of Cournot Model in International Trade
- Technological Change and Research and Development (Chapter 22, Chapter 23 and lecture notes)
  - Schumpeter and the Process of "Creative Destruction"
  - The Relationship Between Market Structure, Firm Size and Technological Advance
  - The Economics of Patent Systems
- 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](mailto: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](http://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>