

University of Colorado
Department of Economics

ECON 4697: INDUSTRIAL ORGANIZATION AND REGULATION
SPRING 2007

COURSE DESCRIPTION

This is a course in industrial organization, the study of firm behavior in markets. Industrial organization focuses on firm behavior especially in imperfectly competitive markets, which are far more common than the perfectly competitive markets that are the focus of fundamental microeconomics courses. Industrial Organization analyzes the acquisition and use of market power by firms, strategic interactions among firms, the structure of industries and the role of government competition, industrial and employment policies. We will approach this subject from both theoretical and applied perspectives. It is important to note that industrial organization requires a thorough understanding of both theory and empirical work. We will try to balance both theoretical models and empirical evidence in this course.

INSTRUCTOR: *Professor Håle Utar*

Office: 114, Economics

Phone: 492 7869

E-mail: utar@colorado.edu

Office Hours: Monday 10:00-12:00am and Tuesday 1:00-2:00pm

TIME AND LOCATION: T,R 11:00 - 12:15, Econ 13

TEXTBOOK: Industrial Organization: Theory and Practice, D. Waldman and E. Jensen, Third Edition

RECOMMENDED BOOKS

- Industrial organization: Contemporary Theory and Practice, Pepall, Richards, Norman, South-Western College Pub
- Industrial Organization: Theory and Applications, Oz Shy, The MIT Press
- The Theory of Industrial Organization, Jean Tirole (graduate level book)

There will be additional reading assignments during the course.

COURSE WEBPAGE: WebCT

Please check the course web page regularly for class announcements, lecture notes and assignments.

HOMEWORK POLICY

I will give regular homework assignments. Not all of them will be graded. However you will not know until you submit your assignment if that particular assignment will be graded or not.

EXAM POLICY

There will be two midterm examinations given during class time on dates to be announced and one final exam per university schedule. Each problem in the exams will be graded. There will not be any make-up exam. If you miss any exam without a valid excuse according to the university policy then that exam will be graded zero. If you miss an exam with a valid excuse then I will compute your final grade by adding the weight of the missed exam(s) to the weight of the final exam. The final exam will be cumulative.

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 allow you to improve your final grade in the following way. If you score an average of 80 % or more on the quizzes I will add one point to your final grade score. Example: If you get final score of 89, and you have an average of 80 % or more on you quizzes, I will increase you score to 90, which would give you A- instead of B+. The final grade will be computed as follows:

- Midterm Examination I 20%
- Midterm Examination II 20%
- Homework Assignments 25%
- Final Exam 35%

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
C-	66 – 69.99
D	60 – 65.99
F	below 60

TENTATIVE SCHEDULE:

Basic Microeconomic Theory

- The Firm and Its Costs
- Perfect Competition
- Monopoly
 - Monopolist's Problem
 - Monopoly and Social Welfare
 - Price Discrimination
 - Cartel and Multi-plant Monopoly
 - Durable-Goods Monopolies

- Market Structure
 - Entry
 - Exit
 - Mergers
- Monopoly Practices
 - Dominant-Firm Price Leadership Model
 - Empirical Evidence
 - Contestable Markets
 - Network Economics

Midterm I

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

Basic Game Theory
- Basic Concepts in Non-Cooperative Game Theory
 - Normal Form Representation of Games
 - Iterated Elimination of Strictly Dominated Strategies
 - Nash Equilibrium
 - Extensive Form 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
 - Monopolistic Competition in Differentiated Products with a Representative Agent
 - Location Models
- Technological Change and Research and Development (if time permits)
 - 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](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student-code)