

Economics 450: Industrial Organization

Fall 2008

Instructor: Dr. Jennifer Pate

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Office Hours: TR 3-5:00pm and by appointment

Course Web Sites: <http://myweb.lmu.edu/jpate> and Blackboard

Course Overview:

In Econ 450, we will study firm behavior, including classical models of perfect competition, monopoly, oligopoly, and game theory. In addition, we will discuss price discrimination, antitrust policy and regulation. The prerequisite for this class is Econ 310 (which itself requires Math 131 or 112).

The textbook for the course is *Industrial Organization, Contemporary Theory and Practice* (3rd ed.) by Pepall, Richards and Norman, published by Thomson Southwestern, 2005. Your textbook also comes with access to an interactive web site (<http://econapps.swlearning.com>) where you can read economics policy debates, summaries of latest news stories, among other features. I will not assign anything directly from the website, but the information may be helpful to you in completing certain course assignments.

Evaluation:

Your grade in Econ 450 will be determined by the following course components:

Midterm and Final Exam	50%
Problem Sets (4)	20%
Final Project and Presentation	15%
Monopoly™ Assignment	5%
Review Quiz	5%
In-class Participation	5%

- **Attendance is mandatory and extremely important!** We only meet 28 times this semester, so every class counts. An unexcused missed class will cost you 1/3 of a grade (i.e. lose a +, or move to a -), with 2 unexcused misses resulting in a full letter grade drop. If you must miss a class for illness or LMU-approved travel, you need to tell me BEFORE class. Also, being late to class TWICE equals one absence, so please be on time! Chapter readings should be done prior to the class for which they are assigned.
- The **Review Quiz** will be based on practice problems handed out today that we'll go over in class on Wednesday. This quiz is just to make sure that you are prepared for this class.
- **Problem Sets** contain problem-solving questions and will be handed out at least one week prior to their due date. You may work together on problem sets, but you must each turn in your own version. These problem sets are designed to prepare you for the exams, so I strongly suggest you attempt the problems on your own first before meeting with other class members.

Evaluation (continued)

- The **Midterm Exam** will test your knowledge of problem-solving tools used in studying Industrial Organization concepts, on material we've covered to that point. You should bring a non-graphing calculator and a pencil, no blue book required. The **Final Exam** will be exactly the same format as the midterm exam and will consist of material covered since the midterm exam. It is not cumulative.
- The **Monopoly™ Assignment** will be given out sometime during the semester and includes playing Monopoly and a short paper (3 pages maximum).
- The **Final Project** will be your chance to use the tools and concepts we've discussed in class to analyze an issue important to you and write up your findings. An outline of your choice of topic will be due a few weeks before the end of the semester and we will meet personally to discuss it. You will present your project to the class during the last week of class and your paper will be due at the date of the in-class final.

Policy on Make-ups:

There are NO MAKE-UPS on any assignments. If you need to miss class the day a problem set is due, either turn it in to me earlier, ask a classmate to turn it in, or put it under my office door.

Makeup dates for the exams may be required to accommodate exam schedules in other classes or for illness or other conflicts, as described above. All make-ups must be scheduled with me prior to the missed exam. You must contact me to determine your eligibility for a makeup exam.

Academic Integrity:

I strongly encourage you to study with one another and discuss among yourselves the material from class. However, during exams you will NOT be permitted to use any books, notes, or test answers of other students. Any violation of academic integrity will result in automatic failure of the exam or project and potential for failure in the course.

Economics 450: Tentative Course Schedule

Dates for exams are fixed, while the content of the exams and day-to-day discussions may change depending on our progress.

Class date	Topic		Assignments
August 26 th	Part 1	Chapter 1: Introduction	Review Problems
August 28 th	Part 1	Chapters 2, 3 & 4: Review Microeconomic tools, Market Structure/Power & Technology and Cost	Review Quiz
September 2 nd	Part 1		
September 4 th	Part 2	Chapter 5: Price Discrimination and Monopoly: Linear Pricing	
September 9 th	Part 2	Chapter 6: Price Discrimination and Monopoly: Non-Linear Pricing	
September 11 th	Part 2	Chapter 7: Product Variety and Quality	Problem Set #1 (Chapters 5-8)
September 16 th	Part 2	Chapter 8: Commodity Bundling and Tie-in Sales	
September 18 th	Part 2	Classroom Experiment #1	Problem Set #1 due
September 23 rd	Part 3	Chapter 9: Static Games and Cournot Competition	Monopoly TM
September 25 th	Part 3	Chapter 10: Price Competition Classroom Experiment #2	
September 30 th	Part 3	Chapter 11: Dynamic Games and First and Second Movers	<i>Discuss Final Project</i>
October 2 nd	Part 4	Chapter 12: Limit Pricing and Entry Deterrence	Problem Set #2 (Chapters 9-15) Monopoly TM due
October 7 th	Part 4	Chapter 14: Price-Fixing and Repeated Games Chapter 15: Collusion in Practice	
October 9 th	Part 4	Review for exam	Problem Set #2 due
October 14 th		MIDTERM EXAM	
October 16 th	NO CLASS: Autumn Break		
October 21 st		Exams returned, Movie day	
October 23 rd	Part 5	Chapter 16: Horizontal Mergers	
October 28 th	Part 5	Classroom Experiment #4	
October 30 th	Part 5	Chapter 17: Vertical and Conglomerate Mergers	Problem Set #3 (Chapters 16-20)
November 4 th	Part 5	Main points from Chapters 18 and 19 Chapter 20: Advertising, Market Power and Information	<i>Project Outline due</i>
November 6 th	Part 5	Chapter 21: Advertising, Competition, and Brand Names	Problem Set #3 due
November 11 th	Part 6	Chapter 22: Research and Development	
November 13 th	Part 6	Chapter 23: Patents and Patent Policy	Problem Set #4 (Chapters 21-25)
November 18 th	Part 7	Chapter 25: Auctions and Auction Markets	
November 20 th	Part 7	Classroom Experiment #4/Final project prep	Problem Set #4 due
November 27 th	NO CLASS: Thanksgiving		
December 2 nd & 4 th	<i>Class Presentations</i>		
Thursday, December 11th	FINAL EXAM & FINAL PROJECT DUE		11:00-1:00PM