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Economics 4D  
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D2L course website

Economics 4697-001  
Industrial Organization  
MWF, 9:00-9:50  
ECON 117  
Office Hours: Wed 3:00-4:30

#### 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 concerns 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, mergers, network externalities and asymmetric information. 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 (5%)

4 problem sets (15%)

3 exams (70%)

{ midterm I (20%)

{ midterm II (20%)

{ Final exam (30%) May 7 Wed 7:30pm-10:00pm

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.

In-class activities include short presentations of real-world examples of the following topics

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~~Productivity~~ ~~Productivity~~ & D, ~~Productivity~~

. A group of two students will give a 5 to 8 minutes of presentation which requires the use some means of visual aids (i.e. PowerPoint slides). You need to discuss why your example fits the topic and the background on the companies involved and the market they are in. A sign-up sheet will be posted on D2L. 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, Lecture Notes and References:

1. Required: ~~Productivity~~ ~~Productivity~~ by Pepall, Richards and Norman. 4<sup>th</sup> Edition (older editions are acceptable as well)
2. Lecture Notes: The outline of the lecture will be posted on the class website before class. I strongly encourage you to take detailed notes during class, as this will help you learn the material better. The outline notes are meant to complement your own notes, not as a substitute.
3. References: other relevant articles and referencessubstitute.



{ Unit 18: Vertical mergers (Ch. 17)

{ Unit 19: Networks (Ch. 24)

{ Unit 20: Case study: Consolidation in the airlines industry

{ Unit 21: Limit Price (Ch. 12)

{ Unit 22: Predatory pricing (Ch. 13)

#### Nonprice Competition

{ Unit 23: Advertising and Information (Ch.21 & 22)

{ Unit 24: Research and Development (Ch.22)

{ Unit 25: Patents (Ch. 23)

\* Final Exam



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

/ Nelson Mandela