# Market Structure and Economic Performance, CAS EC332

Fall 2021

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Office Hours: Tuesdays 3:30 – 5:30 PM
Wednesdays 1:00 – 2:00 PM
Or by appointment

**Course Description:** This course provides an introduction to industrial organization. Industrial organization is a field of economics that studies the relationship between market structure and firm behavior. It examines deviations from the ideal of perfect competition and considers how firms gain market power and use their market power to sustain prices above marginal cost. This course will provide an overview of the major topics in industrial organization, such as market power, pricing strategies, product choices, and strategic behavior. The goal of this course is to provide you with the necessary tools to understand and analyze the pricing and strategic that firms make. While the course focuses on developing microeconomic theory, it will explore relevant empirical examples.

**Prerequisites:** EC201, Calculus

**Teaching Assistant:**
Ce Li is the teaching assistant for this course.
Email: celi@bu.edu
Office: SSW B16
Office Hours: Mondays 5:00 – 6:00 PM

**If you plan on attending Ce's office hours in person, please email her beforehand. Ce is available to answer questions via Zoom. Students are strongly encouraged to attend Ce's office hours virtually via Zoom using the meeting ID below.**
**Meeting ID:**

**Course Website:** I will post all course materials to the Blackboard course site.

**Class Meetings/Attendance:** The class will meet on Tuesdays and Thursdays from 2:00 to 3:15 PM ET in CAS Room 203. Attendance is not mandatory, but is encouraged. If I need to quarantine or isolate, the lecture will occur over Zoom. I will communicate any change to the lecture location in advance.

To accommodate students who may find themselves in quarantine or isolation, I will try my best to record lectures and post them to Blackboard. Students have the right to opt out of being part of the class recording. Please contact me to discuss options for participating in the course while opting out of the class recording.

**Text:** There is no required textbook for this course. The following textbooks are good references.

Cabral, L. (2000). *Introduction to industrial organization* (1st ed.). MIT Press.

Cabral, L. (2017). *Introduction to industrial organization* (2nd ed.). MIT Press.

Oz, S. (1996). Industrial organization: Theory and applications. MIT Press.

Church, J. R., & Ware, R. (2000). *Industrial organization: A strategic approach*. McGraw-Hill.

Church and Ware is available for free at http://works.bepress.com/jeffrey_church/23/. I will provide a reading list for all of the textbooks listed above.

**Academic Conduct Code:** Students are expected to know and comply with the Student Academic Conduct Code, http://www.bu.edu/academics/cas/policies/academic-conduct/. Cheating and plagiarism will not be tolerated in this course. Cheating will result in zero credit for the assignment or exam and may result in additional disciplinary action.

**Students with Documented Disabilities:** The Economics Department is committed to equal access for students with disabilities. If you have a specific disability and require accommodations in this class, please let me know early in the semester so that appropriate accommodations can be made. You must provide me with a letter of needed accommodations prepared by Disability & Access Services. Contact information for that office is as follows: (617) 353-3658 Voice/TTY or access@bu.edu. All discussions and written materials will be kept confidential.

**Problem Sets:** There will be 11 problem sets. I will post all of the problem sets to Gradescope. I will also post copies to Blackboard. All assignments should be submitted to Gradescope before the specified due date. If you have trouble submitting your assignment, you should email your work to the TA to avoid incurring a late penalty. Once you resolve your submission issue, you should submit the copy that you emailed to Gradescope.

You may work in groups, but each student must submit their own write-up. You may not post questions from the problem sets to Q&A websites such as Chegg. Doing so is considered cheating. When determining your final grade, I will drop the lowest three problem set scores.

**Late Policy:** You are responsible for knowing the deadlines and correctly submitting problem sets on time. Should a problem arise that prevents you from submitting a problem set (e.g. illness, hospitalization, death of a family member, etc.), please contact me and we can arrange an extension. Unexcused late problem sets will receive a penalty of 10 percentage points for each 24-hour period that the assignment is late. I will not accept unexcused late assignments after the problem set solutions have been posted or after three days.

**Quizzes:** There will be a short quiz (~ 10 minutes) at the beginning of class on Tuesdays. The quizzes will cover the previous week's materials. I will drop the lowest three quiz scores.

**Exams:** There will be two midterm exams and a cumulative final exam. All exams will be held in person. The exams will consist of true/false and short answers questions that are similar to the quiz, problem set, and practice questions.

**Makeup Quizzes/Exams:** If an emergency or unavoidable situation arises that prevents you from taking an assessment in person, you can take a makeup. Alternatively, you can forgo makeup and instead transfer the assessment's weight to future assessments of the same type. For example, if you miss midterm 1 and opt not to take a makeup exam, midterm 2 would count for 30% and the final exam would count for 45% percent. You should inform me of any problem as soon as possible. Depending on the circumstances, the makeup quiz or exam can be taken remotely with proctoring over Zoom.

**Grading:** To receive full credit on any evaluation, you must show all your work. Your final grade will be based on your performance on the quizzes, the problem sets, the midterms, and the final exam. As noted above, I will drop the lowest three quiz and problem set scores. I will take into account the final distribution of scores, when assigning final letter grades. The weights for each category are:

10% Quizzes
15% Problem sets
20% Midterm 1
20% Midterm 2
35% Final Exam

I will assign the final letter grades based on the following percentage cutoffs.

A       94 – 100%
A-      90 – 93.9%
B+      87 – 89.9%
B       84 – 86.9%
B-      80 – 83.9%

C+   77 – 79.9%
C    74 – 76.9%
C-   70 – 73.9%
D    60 – 69.9%
F    0 – 59.9%

**Regrade Requests:** Grading mistakes happen. If you believe that a mistake has been made, please submit a regrade request through Gradescope. You may also email me your request. Regrade requests must be made within three weeks of the work being returned. I will not consider regrade requests outside of this window. If you submit work for regrading, I reserve the right to regrade the entire work.

## Semester Schedule

We will follow this schedule as closely as possible. Any deviations from this schedule will be communicated in advance.

| Date | Topic | Due |
|---|---|---|
| Sept 2 | Introduction to Industrial Organization<br>Math Review | |
| Sept 7 | The Firm | |
| Step 9 | | Problem Set 1 |
| Sept 14 | Perfect Competition | Quiz 1 |
| **Sept 16** | **Last day to change audit status** | Problem Set 2 |
| Sept 21 | Monopoly and Dominant Firm | Quiz 2 |
| Sept 23 | | Problem Set 3 |
| Sept 28 | | Quiz 3 |
| Sept 30 | | Problem Set 4 |
| Oct 5 | | |
| **Oct 7** | Benefits of Monopoly<br>**Last day to drop without a "W" grade** | Midterm 1 |
| **Oct 12** | **Substitute Monday's Schedule,<br>No Class** | |
| Oct 14 | Regulation | Problem Set 5 |
| Oct 19 | Price Discrimination | Quiz 4 |
| Oct 21 | | Problem Set 6 |
| Oct 26 | | Quiz 5 |
| Oct 28 | Regulation<br>Game Theory | Problem Set 7 |
| Nov 2 | | Quiz 6 |
| Nov 4 | Static Oligopoly | Midterm 2 |
| **Nov 5** | **Last day to drop with a "W" grade**<br>**Last day to designate Pass/Fail** | |
| Nov 9 | | Quiz 7 |
| Nov 11 | | Problem Set 8 |
| Nov 16 | Dynamic Oligopoly | Quiz 8 |

| Nov 18 | | Problem Set 9 |
|---|---|---|
| Nov 23 | | |
| **Nov 25** | **Thanksgiving Recess, No Class** | |
| Nov 30 | **Last day to take a leave of absence or withdraw from the University** | |
| Dec 2 | Product Differentiation | Problem Set 10 |
| Dec 7 | | Quiz 9 |
| Dec 9 | | Problem Set 11 |
| **Dec 10** | **Classes End** | |
| **Dec 14-18** | **Final Exams** | |