

Market Structure and Economic Performance, CAS EC332

Summer 2019

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Office Hours: MTW 12:00-1:30 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 considers deviations from the ideal of perfect competition; it deals with 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 tools to understand and analyze markets. The course will primarily focus on the micro theory. We will consider some empirical examples to motivate the theory.

Prerequisites: EC201 and a basic knowledge of calculus

Course Website: All course documents will be posted on the Blackboard course site.

Text: Cabral L. (2000). *Introduction to Industrial Organization*. Cambridge, Mass: MIT Press

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 will not be tolerated in this course.

Students with Documented Disabilities: If you have a disability that necessitates extra time on exams, or any other accommodations, you will need to give me a note from the BU Office of Disabilities Services **at least one week** before the exam.

Attendance: Class attendance is mandatory and will count toward your final grade. I will take attendance at the beginning of each class. You are allowed three absences. If you anticipate being absent for an extended period of time, please contact me.

Quizzes: There will be five quizzes. Quizzes will take place in class and will take 15 minutes. They will test material covered in lecture and in the assigned readings. I will drop your lowest quiz score. There will be no makeup quizzes.

Problem Sets: There will be four or five problem sets that will be posted to Blackboard. Problems sets will be due in class on the day indicated. I will drop your lowest problem set score.

You may work in groups, but each student must submit his or her own write-up of the solutions. If you work with others, please list your collaborators.

Exams: There will be one midterm exam. The exam will take place in class on **June 12**. It will be based on problems similar to those in the homework and it will also include short answer questions based on the assigned readings, the textbook, and the lectures.

There will be a cumulative final exam. It will take place on the last day of class **June 26**.

Grading: To receive full credit on quizzes, problem sets, the midterm, and the final exam, you must show all your work. Your final grade will be based on attendance, quizzes, problem sets, the midterm, and the final exam. The weights for each category are:

5% Attendance

10% Quizzes

20% Problem sets

30% Midterm

35% Final

I will take into account the final distribution of scores, when assigning final letter grades.

Brief Course Outline:

Introduction

- Overview of Industrial Organization
- History of Industrial Organization

Competition and Welfare

- Perfect competition
- Market power and welfare

Monopoly and Market Power

- Monopoly
- Dominant Firm
- Regulation

Non-linear Pricing

- Price discrimination
- Two-part tariffs
- Bundling
- Tying

Oligopoly

- Review of game theory
- Bertrand
- Cournot
- Stackelberg
- Collusion

Product Differentiation

- Monopolistic competition
- Vertical and horizontal product differentiation
- Spatial product differentiation

Strategic Behavior

- Advertising
- R&D and patents