

## Market Structure and Economic Performance, CAS EC332

Summer 2020

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Office Hours: MTW 3:00-4:30 pm ET, 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 tools needed to understand pricing decisions and to analyze firms' strategic decisions. While the course focuses on developing microeconomic theory, it will explore relevant empirical examples.

**Prerequisites:** EC201

**Course Website:** I will post all course materials to the Blackboard course site. This course also has a Piazza site where you can ask questions about lectures, problem sets, and exams.

**Text:** There is no required textbook for this course. Any of the following textbooks can serve as good references.

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

Cabral, L. (2017). *Introduction to industrial organization* (2<sup>nd</sup> 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/](http://works.bepress.com/jeffrey_church/23/). I will provide suggested readings 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 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.

**Attendance:** The class will meet on Mondays, Tuesdays, and Wednesdays at its scheduled time via Zoom. Attendance of the live lecture is not mandatory, but it is encouraged. The live lectures are a good opportunity to ask clarifying questions. To accommodate students who may be living outside the Eastern Time Zone, I will post recorded versions of the lectures to Blackboard.

**Problem Sets:** There will be five problem sets that will be posted to Blackboard. The problem sets should be submitted to Blackboard before the specified due date. 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 and a cumulative final exam. The exams will consist of problems similar to those in the homework. They will also include multiple choice and short answer questions based on lectures. The midterm and final will be take-home exams. You will have 24 hours to complete each exam. I will post the midterm exam on **July 26** and the final exam on **August 13**.

**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 problem sets, the midterm, and the final exam. The weights for each category are:

25% Problem sets  
35% Midterm  
40% 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