

ECONOMICS 4316: INDUSTRIAL ORGANIZATION

SPRING 2008, MWF 10:00-10:50, HCB 301

INSTRUCTOR: David VanHoose OFFICE HOURS:
 OFFICE: 339 Hankamer MWF 8:15-9:45 & MW 1:00-1:45;
 OFFICE PHONE: 710-6206 or by appointment, or when
 E-MAIL: David.VanHoose@baylor.edu I am in and have time.

TEXT: Carlton, Dennis, and Jeffrey Perloff, *Modern Industrial Organization*, 4th Edition, Addison-Wesley, 2005

COURSE DESCRIPTION: Examines the economic organization of industry; a survey of major theoretical and applied issues in the field of industrial organization. Topics include theory of the firm, the welfare consequences of competition and monopoly power, goals of the firm and market effects, collusion, mergers, price discrimination, product differentiation, predation, and public policy. Prerequisite: ECO 3306; not open to pre-business students.

- I. Course Overview and Objectives: This course focuses on the economics of industry organization. By the conclusion of the course, the student will understand and be able to explain the various types of industry structures, conduct, and performance; business strategies; and policy alternatives. The student will also possess a comprehension of and ability to discuss theoretical and empirical issues relating to the interactions among firms in a market economy, with a focus on corporate and government policies affecting markets.

II. GRADES AND GRADING POLICIES

A. Examinations

1. Administered in a short answer-essay format.
2. "Make-up" policy:
 - a. Midterm exams:
 - 1) There are NO "make-up" midterm exams. **NO EXCEPTIONS**
 - 2) There are NO "early" midterm exams. **NO EXCEPTIONS**
 - 3) If one midterm examination is missed, the score on this examination is automatically dropped from the student's grade calculation. The weight of any additional missed midterm exam is *automatically* placed on the final exam. Thus, if a second midterm examination is missed, the final exam is worth 250 points. If all three midterm examinations are missed, the final exam counts 350 points. **NO EXCEPTIONS**
 - b. Quizzes: There are no "make-up" quizzes. **NO EXCEPTIONS**
3. Every student must take the final exam. There are NO "early" final exams. "Make-up" finals are given only if the student provides acceptable written documentation of circumstances that prevented the student's presence at the scheduled time. **NO EXCEPTIONS**
4. The final exam date and time appears in the schedule of classes and this syllabus, so it is your responsibility to know it. If you miss the final exam simply because you did not know the date and time of the exam, you will earn a score of zero for the exam.

B. Quizzes

1. At least four quizzes will be given on dates to be announced in class.
2. Each quiz will count 25 points; the best three scores will be counted in your final point total.

C. Homework: Four to six assignments totaling 75 points. Every homework assignment is must be turned in at the beginning of class on the scheduled due date. No late homework will be accepted. There are no "makeup" homework assignments. **NO EXCEPTIONS**

D. Grading

1. Each student's final grade is based on his/her total points earned on exams and quizzes, distributed as follows:

Midterm Exam #1	(February 8, in class)	100 Points
Midterm Exam #2	(March 7, in class)	100 Points
Midterm Exam #3	(April 4, in class)	100 Points
Best Two Midterm Exam Scores		200 Points
Quizzes (Dates to be announced; best three scores)		75 Points
Homework (Dates to be announced)		75 Points
Final Examination	(May 9, 4:30-6:30 P.M.)	150 Points
Course Total		500 Points

2. Determination of a final course grade is based on the following scale. I do not plan to deviate from this scale.

440 - 500 (88 - 100%)	A	300 - 359 (60 - 71.99%)	C
420 - 439 (84 - 87.99%)	B+	250 - 299 (50 - 59.99%)	D
380 - 419 (76 - 83.99%)	B	0 - 249 (0 - 49.99%)	F
360 - 379 (72 - 75.99%)	C+		

3. Attendance: I take attendance and follow Baylor attendance policies. This means that if you are absent from more than 12 class meetings, you will fail this course. Sometimes students seem to regard this limit as a target. Pursuing this strategy typically results in a low grade in the course.
 - a. It is every student's obligation to be in class. Class meeting time is the single best opportunity for me to teach you the course material *and* to communicate to you important facts about exams, class assignments, etc. A seating chart will be constructed within one or two class meetings. You will have the opportunity to help determine which seat you are assigned, and you will be required to sit in that seat for the entire semester. (See me, however, if a problem develops.)
 - b. "Bonus points" will be awarded using the following scale:

<u>Absences</u>	<u>Points Added to Your Total</u>
0 - 1	20
2	7
3 or More	0

Note that these are truly BONUS points: If you fail to earn these bonus points, the point total that you earn based upon your exam performances and quiz performances is unaffected. Therefore, for purposes of bonus point tabulation, there are NO excused absences from class. NO EXCEPTIONS, for any reason. Attendance will be taken after class starting time of 10:00. I will take role by marking absences on an overhead projector transparency in full view of all students near the beginning of class. If you arrive late to class, it is your responsibility to see me immediately after that class meeting to correct my attendance listing. This will be your *final chance* to make certain you were not mistakenly counted as absent. After that opportunity, you will have no other way to appeal an absence you feel was incorrectly listed.

- c. Special note to students who plan to miss a large number of classes: It is Baylor's policy that both officially approved and unapproved absences count toward the 25 percent attendance limit for passing this course. Thus, if participation in a university-sponsored organization causes you miss several classes, those are absences that count toward Baylor's 25 percent limit.
4. Policy on Discussing Scores and Grades: I do not discuss scores or grades via e-mail or over the telephone.
5. "Incomplete" Policy:
 - a. A student who misses the final exam will be awarded a temporary grade of incomplete only if a letter is received from a health care provider (or other source I deem acceptable) attesting to an illness or personal or family emergency. In the absence of such proof, the student will be awarded a grade based on his/her point total leading up to the final exam, including the zero earned on the final exam.
 - b. A student who misses the final exam and has an excused absence must take a make-up final exam as soon as possible after the conclusion of the semester and no later than the deadline specified by University policy.
6. Note to students who "need" a particular minimum grade in this course to meet graduation requirements: It is your responsibility to earn the grade that you wish to obtain to meet graduation requirements.
7. General Note: Although my intention is to follow all policies laid out in this syllabus, I reserve the right to make changes in response to unanticipated events.

III. COURSE OUTLINE (Dates subject to some alterations.)

<u>Date</u>	<u>Assignment</u>	<u>Topic</u>
January 14	Attend class Then read Chapter 1	Introduction and overview
January 16	Chapter 1	Industry organization and trends
January 18	Chapter 2	Review of production & cost concepts
January 21	No class	University holiday
January 23	Chapter 3	Perfectly competitive markets
January 25	Chapter 3	Perfect competition in the long run
January 28	Chapter 3	Barriers to entry
January 30	Chapter 4	Monopoly
February 1-4	Chapter 4	Dominant firms
February 6	Chapter 5	Cartels
February 8	Midterm Exam #1	Chapters 1-4
February 11-15	Chapter 6	Noncooperative oligopoly
February 18	Chapter 6	Applying game theory to oligopoly
February 20-22	Chapter 7	Product differentiation and monopolistic competition
February 25	Handout	Information products
February 27	Chapter 8	Market concentration and structure-conduct-performance
February 29	No class	Study Chapter 8 and read Chapter 9
March 3-5	Chapter 8	Market concentration and structure-conduct-performance (continued)
March 7	Midterm Exam #2	Chapters 5-8
March 10-14	No class	Spring break
March 17-19	Chapter 10	Methods of price discrimination
March 21-24	No class	University holiday

<u>Date</u>	<u>Assignment</u>	<u>Topic</u>
March 26-28	Chapter 11	Strategic pricing
March 31- April 2	Chapter 11	Network industries
April 4	Midterm Exam #3	Chapters 9-11
April 7	Chapter 12	Vertical integration
April 9-11	Chapter 13	Imperfect information about quality
April 14	Chapter 13	Incomplete information about prices
April 16	Chapter 13	Price comparisons and market efficiency
April 18	Chapter 14	Economics of advertising
April 21	Chapter 15	Product durability issues
April 23	Chapter 16	Invention and innovation
April 25	Chapter 16	Patents
April 28	Ch. 16, Handout	Copyrights and digital products
April 30	Chapter 19	Antitrust
May 2	Chapter 20	Regulation
May 5	The course	Q&A
May 9	Final Exam	4:30-6:30 PM
		The course