

Department of Economics
University of Oregon
Spring 2005

ECN 460/560: THEORY OF INDUSTRIAL ORGANIZATION

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SYLLABUS

OVERVIEW: Industrial organization concerns itself with the microeconomic behavior of firms in the face of technology constraints, the nature of consumer demand, and interactions with other firms. After reviewing and refining our understanding of the nature of production and firms' costs, perfect competition, and monopoly, we will then turn to more advanced topics concerning oligopoly, product differentiation, monopolistic competition, antitrust regulation, and some game theory. By the end of the course, you should have a better understanding and appreciation for the variety of factors that explain why firms and markets behave as they do. Thus, it should provide you with a solid background for future graduate work in industrial organization, business conquests, or simply for spotting flawed analysis in the locally corrupt politician running for reelection.

My theory on teaching is that it is a two-way contract with you, the students. I'm obligated to teach you what you should know in the area and also keep it interesting and show the relevance of what we study. But you are also obligated to consistently spend the time that is necessary to learn the material each week. Cramming before tests doesn't cut it.

READING: *Industrial Organization: Theory and Practice, 2nd Edition* - Waldman and Jensen.

GRADING: There will be a midterm and a final, as well as some homework and quizzes and an empirical project that I will assign after the midterm. In addition, by the third week of the class, teams will be formed to compete in a computer-simulated strategic interaction game, where each team comprises a firm that competes in a variety of markets to maximize profits. The game will be played out over the last 2/3 of the quarter. Course grades will be determined as follows:

20%	HOMEWORK AND QUIZZES
15%	COMPETITIVE STRATEGY GAME
10%	EMPIRICAL PROJECT
25%	MIDTERM
30%	FINAL

Grading on the competitive strategy game will be based on two team-written reports, detailing the strategy undertaken by the team, and on the performance of the team in the game. Also, I don't accept late homework. Quizzes and tests can only be made up in emergency circumstances and if notification is given as soon as possible.

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REQUIREMENTS FOR 560 STUDENTS: In addition to the requirements above, EC 560 students must complete an 8 page paper on an industrial organization topic. The paper will comprise 25% of your grade, with the other components accounting for the following percentages of your final grade: homework and quizzes=15%, competitive strategy game= 10%, midterm=20%, final=30%. Note that you are NOT assigned to do the empirical project. Please schedule to see me by the end of the second week to agree on a paper topic. The paper will be due at the time of the written final in the class.

ACADEMIC DISHONESTY POLICY: Academic dishonesty (from plagiarizing work to cheating on exams) will not be tolerated. Please acquaint yourself with the Student Conduct Code, which is published in the *Schedule of Classes* each term. If I have reason to believe that a student is violating the Student Conduct Code, I will involve the Student Judicial Affairs Office.

STUDENTS WITH DISABILITIES: If you have a documented disability and anticipate needing accommodations in this course, please make arrangements with me during the first week of the term. Please request that the counselor for students with disabilities (164 Oregon Hall) send me a letter verifying your disability.

GENERAL OUTLINE OF COURSE

WEEKS 1 and 2: Review of Firm Costs, Perfect Competition, and Monopoly.

Readings: Chapters 1 - 4.

WEEK 3: Introduction to Competitive Strategy Game and Entry and Exit.

Readings: Comp. Strategy Game Rules Handout and Chapter 5.

WEEK 4: Introduction to Game Theory.

Readings: Chapter 6 and beginning of 7.

WEEK 5: Game Theory and Non-cooperative Oligopoly.

Readings: Chapter 7.

WEEK 6: Midterm (Wednesday, May 4)

WEEK 7: Collusion by Firms.

Readings: Chapter 8 and 9.

WEEK 8: Strategies to Deter Entry.

Readings: Chapters 10 and 11.

WEEK 9: Price Discrimination.

Readings: Chapter 14.

WEEK 10: Technological Change and Research and Development.

Readings: Chapter 13.

FINAL: 10:15 a.m., Wednesday, June 8