

Industrial Competition & Monopoly (ECON 480):

Spring 2017: *Section B3*:TR 9:30-10:50 pm, 111 DKH; *Section C3*: TR 11:00-12:20; 111 DKH

Department of Economics • UIUC

Syllabus

Class Compass Site: <https://compass2q.illinois.edu/>

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Objective: Industrial Organization, Industrial economics, Oligopoly, Imperfect Competition,... all these are well known labels to address one of the oldest problems in economics, namely what factors determine the structure of the market, how firms behave in the market when there are few competitors and what is their performance. We will develop the theoretical framework necessary for analyzing market structure, firm behavior & performance.

Prerequisites: I do not recommend you to take this course unless you know:

- 1- **Microeconomics:** at the intermediate-level
- 2- **Calculus:** differentiation, Constraint & unconstraint optimization

Textbook: The course does not have a required textbook. I suggest the following textbooks as a to supplement class material:

- Jeffrey R. Church and Roger Ware, **Industrial Organization: A Strategic Approach**. Free download available: https://works.bepress.com/jeffrey_church/23/
- Oz Shy, **Industrial Organization: Theory & Application**, MIT press. Here is the author's web site: <http://www.ozshy.com/>

Grades:

Grades will be based on homework assignments (20%) & three exams: midterm 1 (20%), midterm 2 (25%) and a cumulative final exam (35%).

Grades Cutoffs: I use a +/- scale. The cut-offs for +/- are as follows (there will be adjustments based on the performance of the class):

A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-
≥97%	≥93%	≥89.5%	≥87%	≥83%	≥79.5%	≥77%	≥73%	≥69.5%	≥67%	≥63%	≥59.5%

Assessment Policies:

Assignment Policy: All assignments are to be turned in at the beginning of the class in which they are due. Late assignments receive no credit. The assignment portion of your grade will be the average of all your assignment scores with the lowest assignment grade dropped. All assignments should be prepared neatly and professionally:

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- *Papers should be stapled.*
- *Assignments should contain the following information on the **right-hand corner** of the page: your name, assignment identification and date.*
- *Assignments that are sloppy, torn from spiral-bound notebooks, or which are illegible, or unstapled, will be graded down.*

Exam Policy: In the event that a student misses one of the first two exams, the points from the missed exam will be placed on the final. There are no make-up exams. In the event that a student misses a second in-term exam, the instructor reserves the right to give the student a zero on that exam. The following materials are allowed for use during the exam: a simple calculator. There are to be no books, papers other than the exam itself. No cell-phone use is allowed during the exam. Students found to be using unapproved items are in violation of the Academic Integrity policy of the University and will be subject to disciplinary action.

Exam 1: Tuesday March 7*, During class time

Exam 2: Tuesday April 18*, During class time

Final Exam: Regular: 8:00-11:00 pm Tuesday May 8 in room TBA

Conflict: 8:00-11:00 am Friday May 11 (Only if you show you have conflict with regular exam)

* *Dates subject to change*

Final Exam Conflict Policy:

From the University's final exam policy:

- Any student having more than two consecutive final examinations is entitled to rescheduling as follows if he or she takes the following action no later than the last day of classes:
 - The student must investigate whether a conflict examination is being held at another time for any of the examinations involved.
 - If a conflict examination has been scheduled for any of the courses, the student must take one or more of these conflict examinations. If conflict examinations are offered for more than one course, the student must take the conflict for the course that has the largest number of students.
 - If no conflict examinations have been scheduled, the student must contact the instructor of the course having the largest number of students. The contact must be made no later than the last day of classes, and that instructor must provide a makeup examination.

The University's final exam policy is available at: http://studentcode.illinois.edu/article3_part2_3-201.html

Attendance:

- Attendance is required. I usually take attendance at the beginning of the lecture. Please try to be on time. In case you are late, take the first available seat and try not to disrupt the class.
- Except for an emergency, you are not allowed to leave the lecture before it ends. In case there is something important, that makes you to leave the lecture early, please tell me about it before the beginning of the lecture.
- **PLEASE TURN OFF YOUR CELL PHONE DURING LECTURE.**

Emergency Response Recommendations:

The university maintains guidelines for emergency responses. A list of recommendations when to evacuate and when to find shelter are available at:

http://illinois.edu/cms/2251/general_emergency_response_recommendations_8_16_13_final.docx

How to respond to an emergency: run/hide/fight:

<http://police.illinois.edu/emergency-preparedness/run-hide-fight/>

Statement on Accommodations:

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak Street, Champaign, call 333-4603 (V/TTY), or email a message to disability@illinois.edu.

Academic Integrity:

“The University has the responsibility for maintaining academic integrity so as to protect the quality of education and research on our campus and to protect those who depend upon our integrity. *Expectations of Students*. It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions. Students have been given notice of this Part by virtue of its publication. Regardless of whether a student has actually read this Part, a student is charged with knowledge of it. Ignorance is not a defense.”

The University’s full academic integrity policy is available at:

http://studentcode.illinois.edu/article1_part4_1-401.html

Semester Schedule:

Note: Suggested sections from the Church and Ware textbook (CW) are in parentheses.

I. Market structure and performance

- 1-Introduction: Demand, cost functions and firm behavior.
- 2- Industry models without strategic interaction: Perfect competition and Monopoly. (CW: 2.1-2.4.1)
- 3- Price discrimination (CW: 5-5.4.3)
- 4- Game Theory I (CW: 7.1-7.3.5)
- 5- Static Models of Oligopoly (CW: 8.1-8.4, Appendix 8.8)
- 6- Game Theory II (CW: 9.1-9.5)
- 7- Dynamic Models of Oligopoly (CW 10.3-10.4)
- 8- Oligopoly in markets for differentiated products. (CW: 11.1, 11.2, 11.4.2)

II. Competition Policy

- 9- Mergers: Horizontal and vertical (CW: 23.1-23.2, 22.1)
- 10- Entry barriers: strategic and non-strategic. (CW: 8.2.3)
- 11- Market foreclosure (CW: 16.4)