

# ECON 445: Industrial Organization

Summer II, 2014

Instructor: Ben Labe

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Class Hours: M/T/W/Th/F 11:30pm-1:00pm, Gardner 106

Office Hours: TBD (or by appointment), Phillips Annex 202

**Final Exam:** Thursday, July 24, 11:30 - 2:30 pm, Gardner 106.

**Readings:** To be announced and posted on Sakai.

**Course Summary** We will study how firms behave and interact in a variety of market settings. We will use game theory and microeconomics to determine both the form and welfare implications of firms' activities and to consider the impacts and desirability of various governmental regulations. We will also supplement our theory with real-world examples to provide a more practical view of the topics that are covered in lecture.

## Course Objectives

- To understand the nature of various models of firm behavior and know how to apply them to real phenomena.
- To have a basic working knowledge of Game Theory; to know the basic types of equilibria and be able to identify their usefulness in certain situations.
- To be able to classify different types of markets and make theoretically-grounded policy judgments about them.

## Course Topics

Time permitting, we will cover the following topics:

1. Introduction to Industrial Organization
2. Perfect Competition, Externalities, and Monopoly

3. Theory of the Firm
4. Introduction to Game Theory
5. Duopoly
6. Mergers and Antitrust
7. Price Discrimination
8. Product Differentiation and Bundling
9. Adverse Selection
10. Advertising
11. Lobbying and Rent-Seeking
12. Auctions

## Grading and Course Policies

- Final Grades will be determined by:
  - Midterm Exam 1 15%
  - Midterm Exam 2 15%
  - Final Exam 25%
  - Final Paper 25%
  - Homework 10%
  - Class Participation 10%

Grade Cutoffs are given by the following table:

A	93-100%	C	73-76%
A-	90-92%	C-	70-72%
B+	87-89%	D+	67-69%
B	83-86%	D	60-66%
B-	80-82%	F	0-59% %
C+	77-79%	—	—

- **Test Policy**

I do not allow makeup tests for the midterms. If you miss one for any reason, then its weight will be added to your final exam so that your final will be worth  $25\%+15\% = 40\%$  of your total grade. (Missing both midterms would make the final worth 55%.)

It is the policy of UNC to have a mandatory final exam. You may not miss the final and pass this class. If you have an emergency which causes you to miss the final, then you will need to provide a documented excuse to the Dean's office (not to me) in order to be able to make it up.

You are encouraged to bring a calculator to every exam. Otherwise, you may only use a writing utensil and blank scratch paper. The exams are cumulative.

- **Homework**

**Without exception, late homework will not be accepted.** I understand that emergencies happen, so everyone will have their lowest homework score automatically dropped at the end of the semester. Homework assignments will be graded for completion only, but answer keys will be provided so that you may check your accuracy.

- **Honor System**

The University of North Carolina has a proud tradition of maintaining and upholding an Honor System that binds its members, among other things, to a promise not to "lie, cheat, or steal." As members of the university, we are all bound by the Honor Code, I as well as you.

## Final Paper (due on Friday, July 18.)

You are required to write a term paper of **no more than 10 pages of 12 pt., double-spaced font** to be turned in a week before the final exam. Your assignment is to write a case study about an issue pertaining to IO that is of interest to you. The scope of the assignment is rather open-ended. You may wish to talk about an industry from a broad point of view or hone in on one of its predominant or inherent features. You may even want to focus on the actions of a single firm or on the relationship of the industry with the government. **The final paper is intended to be a research project.** As such, it is up to you to determine what your precise topic should be and which facts and questions are important to address. Ultimately, your paper should combine some knowledge of economic theory gained in the course with the concrete facts about your topic in order to answer a particular question or support a particular policy.

Research projects can be daunting undertakings. To ensure that you are keeping up, I would like each of you to **schedule a time to meet with me to discuss potential topics.** The meeting will be informal, but I expect you to have at least one well-considered topic in mind when we meet. I am not going to hand you a project, but I will help you to whittle one down.

**Your final paper must include citations and a bibliography** (not to be included as part of the page count.) All of the sources you cite should be legitimate academic sources. If you are unsure about the legitimacy of a source, then consult me about it. Wikipedia, though not a legitimate source in itself, is often useful at providing summaries of topics and then guiding you to more in-depth, credible sources. If you are unaware of the guidelines about when to cite, then you should consult one of the many free resources that are available online. For example, you might visit the UNC Writing Center website.

Finally, **plagiarism of any variety is prohibited.** If I discover that you have plagiarized, then I will report you to the Honor System's Office of the Attorney General for adjudication. If you are unsure about what constitutes plagiarism, then you should consult the UNC Writing Center's website to get a better sense of how to cite your sources.