

University of North Carolina at Chapel Hill

Department of Economics

ECON 445-001: Industrial Organization

Summer I 2017

M-F 8:00-9:30am
Dey Hall - Room 204

Instructor: Julien Isnard

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Office: Physical Office in Phillips Annex 207, Office Hours in Gardner Hall 009 (EconAid Center)

Office Hours: Tuesday and Thursday from 9:30 to 10:30am or by appointment

Course Objectives:

Have you ever wondered why plane tickets get more expensive as the departure date gets closer or why Broadway tickets are priced higher on the day of the show? Have you ever questioned why the Justice Department would not allow Office Depot and Staples to merge? Maybe, when you were signing up for cable TV, you wondered whether consumers (or just you) would be better off if they (or you) were able to purchase channels individually, rather than as a package. The goal of this course is to provide students with an analytical toolkit that will allow students to examine the strategic choices firms face and how these choices impact consumers. In this course, students will learn some basic mathematical concepts and pick up a few assumptions that will help students answer abstract questions about how businesses behave and government regulations work. Given that the field of Industrial Organization focuses primarily on markets with imperfect competition, the primary focus will be there, but the tools with which students will leave this course will be useful in a much broader context than that.

Course Format:

Class time will be dedicated to a mixture of activities, each meant to build and reinforce the students' understanding of important economic topics. A large portion will be dedicated to lectures, which are meant to build upon the readings assigned outside of class. Part of the time, students will be given application problems to either introduce a new topic or check student understanding of previous ones. The small portion that remains will be dedicated to answering questions and revisiting topics from previous lectures that seem to have been incompletely understood.

Required Textbook:

Title: Industrial Organization: Contemporary Theory and Empirical Applications, 5th Edition (2014)

Authors: Lynne Pepall, Dan Richards, George Norman

ISBN: 978-1-1182-5030-3

Attendance & Participation:

Regular attendance and participation is strongly encouraged. Students are responsible for any announcements and material from all classes, whether attended or not. If a student should miss class, he/she should attempt to obtain any notes or announcements from one of his/her peers. It is expected that students will respect their peers and the instructor with appropriate behavior while in class and that you will arrive to class on time.

Electronics Policy:

This being a lecture-based, economics course, there is no need to have access to computers or cell phones during class. Given that such devices are also highly distracting to those around the user, they are forbidden. If you are expecting an important call (such as a response about a job interview or something regarding a family illness), please inform me before class and sit close to the exit. Beyond this, the policy will be implemented as follows. On the first offense, the student will receive a warning. On any subsequent offense, the student will receive a penalty of 1% applied to their final grade for each subsequent offense. In other words, a student that would have received a 91% but was caught three times would receive an 89%. As you can see, this would mean a difference in letter grades between an A⁻ and a B⁺.

Homework Assignments:

There will be four homework assignments, assigned on the first four Tuesdays and due at the beginning of class on Thursday of the week in which they are assigned. The assignments are intended to be a nudge to keep up with the flow of the course and to be study guides for the exams that will follow. As such, students should feel free to work in groups, but each student must make a separate submission. Specifically, a paper copy must be turned in to me directly, not slid under my door or emailed to me (unless specific permission has been granted in advance). On the final week, I will not assign homework so as to allow students more time to prepare for the final exam (and to make sure you have all previously graded material back in their hands at least a few days before finishing the course). Late homework will not be accepted.

Exam Format:

Each exam will cover material presented in class, readings scheduled outside of class, and homework assignments. As this course is not a course on memorization, the exams are open book/note. The exam format will be provided in the days prior to a given exam. Students should bring a pencil and a basic calculator with them to each exam (a basic calculator is one that only performs simple functions, but does not have the ability to graph or store text). If a student is unsure of whether his/her calculator satisfies this requirement, he/she should ask. Students that arrive more than 30 minutes late will not be permitted to take the exam.

Office Hours and EconAid:

Given the intensity of the course, I will hold office hours twice a week, immediately after class on Tuesdays and Thursdays. However, as some students may have conflicts with those times, I offer the following options, and students should exhaust the former before exploiting the latter. First, students should seek help from the EconAid office.¹ Second, I will be available by appointment, at times that suit both parties.

¹The EconAid office is located in Gardner Hall 009. At the very least, the office will be open and staffed from 1:00 to 3:00pm on weekdays for which classes are scheduled, but a more up-to-date schedule should become available online. Refer to <http://econ.unc.edu/undergraduate/econaid-a-study-place> for more details.

Exam Dates:

Midterm 1: Friday, May 26th during class

Midterm 2: Friday, June 9th during class

Final: Thursday, June 22nd from 8:00-11:00am

Missed Midterm Exams:

There are no make-up midterm examinations. If a student must miss a midterm exam, he/she may be permitted to transfer the missed credit to the final exam, but in order to receive that permission, the student must contact the instructor in writing before the beginning of the exam with an acceptable explanation. If the reason is not foreseen, the student must contact the instructor as soon as possible thereafter. If documentation exists to support the request, it should also be included. The choice of whether to permit the transfer of credit is at the discretion of the instructor, but if allowed, the weight of the missed midterm will be placed on the final exam.

Missed Final Exam:

Regarding attendance for the final exam, the Chair of the Economics Department asks summer instructors not to change the date of a final exam unless the student has a compelling and documented personal reason. In that case, the make-up exam will be administered on a date later than the scheduled final. It will be set at a date and time that is convenient for both student and instructor.

Grading:

Homework: 20%

Midterm 1: 25%

Midterm 2: 25%

Final Exam: 30%

	B ⁺ : 87.00-89.99	C ⁺ : 77.00-79.99	D ⁺ : 67.00-69.99		
A: 93.00-100	B: 83.00-86.99	C: 73.00-76.99	D: 63.00-66.99	F: 0-59.99	
A ⁻ : 90.00-92.99	B ⁻ : 80.00-82.99	C ⁻ : 70.00-72.99	D ⁻ : 60.00-62.99		

Academic Integrity:

All students are expected to adhere to the Honor Code, which can be found at <http://instrument.unc.edu>. Then, with respect to this course, a few items should be explicitly stated. Firstly, students may use their notes, textbooks, and classmates to complete homework assignments. However, no assistance is permitted on exams. During the exam, however, students should feel free to ask the instructor for clarification. Finally, the use of cell phones, computers, or any other unauthorized device (e.g., an unapproved calculator) during examinations is an explicit violation of the honor code.

Course Schedule:

The schedule that follows is a rough outline of the timing of the course and the topics we will hopefully cover, but depending on how the course flows, some adjustments may be made.

Date	Topic	Readings	Assignments	Exams
May 17	Introduction to the Course	Ch. 1		
May 18	Review: Perfect Competition, Monopoly	Ch. 2		
May 19	Review: Perfect Competition, Monopoly			
May 22	Production and Costs	Ch. 4		
May 23	Monopoly: Product and Pricing Strategies	Ch. 5		
May 24	Monopoly: Product and Pricing Strategies	Ch. 6		
May 25	Monopoly: Product and Pricing Strategies	Ch. 8	HW 1 Due	
May 26				Midterm 1
May 29	No Class - Memorial Day			
May 30	Game Theory: Assumptions, Solution Concepts	Ch. 9.1-9.3		
May 31	Game Theory: Assumptions, Solution Concepts			
June 1	Oligopoly Markets: Cournot Competition	Ch. 9.4-9.6	HW 2 Due	
June 2	Oligopoly Markets: Bertrand Competition	Ch. 10.1-10.2		
June 5	Oligopoly Markets: Spatial Markets	Ch. 10.3		
	Oligopoly Markets: Describing Market Structure	Ch. 3		
June 6	Oligopoly Markets: Stackelberg Competition	Ch. 11.1		
	Oligopoly Markets: Dynamic Interaction	Ch. 11.2-11.3		
June 7	Oligopoly Markets: Entry Deterrence	Ch. 12		
June 8	Cartels and Collusion	Ch. 14	HW 3 Due	
June 9	Cartels and Collusion			Midterm 2
June 12	Horizontal Mergers	Ch. 15		
June 13	Horizontal Mergers			
June 14	Vertical Relationships: Mergers	Ch. 16.1-16.5		
June 15	Vertical Relationships: Price Restrictions	Ch. 17	HW 4 Due	
June 16	Vertical Relationships: Non-Price Restrictions	Ch. 18		
June 19	Review			
June 20	No Class - Reading Day			
June 21	No Class			
June 22				Final Exam