Economics 415
Firms, Markets and Industry Structure
Fall 2006

Instructor: Corinne Langinier, Heady Hall 383, phone: 294-5830, e-mail: langinie@iastate.edu

Time and Location:
  Lectures: Mondays and Wednesdays 9:00-9:50 Room East 119
  Lab sessions: Section 1: Wednesdays 3:10-5 Room Curtiss 308
  Section 2: Wednesdays 11-12:50 Room Curtiss 308

Office Hours: Mondays and Wednesdays 2:00-3:00 and by appointment


TAs:
  Section 1
    Jing Xu
    Heady Hall 73, phone 294-8783
    email: jingxu@iastate.edu
    Office hours: TBA
  Section 2
    Jing Liu (Jessica)
    Heady Hall 275, phone 294-5860
    email: jingliu@iastate.edu
    Office hours: TBA

Prerequisites: Econ 301, Maths 151 or 165

Main Textbook:
  Industrial Organization, Contemporary Theory and Practice (Third edition), by Pepall, Richards and Norman, South-Western, 2005 (required).

Complementary Textbooks:
  1. Introduction to Industrial Organization, by Luís Cabral, the MIT Press 2000.
  3. Industrial Organization, Theory and Applications, by Oz Shy, the MIT Press, 1996

Grading: There will be 10 homework assignments, a term paper, two midterm exams and a final. They will count toward the grade as follows:
  Assignments and Paper 40%
  Midterms 30%
  Final (Tuesday December 12, 7:30-9:30) 30%
Course Overview and Policies:

This course will cover traditional topics in Industrial Organization, such as monopoly and oligopoly theory, price discrimination, product differentiation, research and development, network. This course is divided into the study of the exercise of monopoly power, and the study of the strategic interaction when firms are in competition. We will first study in detail the monopolistic behavior before introducing the strategic behavior. In order to fully understand the strategic behavior, a good knowledge of game theoretic models is very important. We will also study the effects of information being asymmetrically distributed among economic agents.

There will be two midterm exams and one final. There will be no make-up exams. If students miss the midterm exam and have a well-documented, university-approved excuse (such as a severe illness), the grade weights for the final exam will be scaled up appropriately. All students must take the final exam to be assigned a grade.

Homework assignments will be assigned every week at the beginning of the lab session. All homework assignments will be due at the end of the same lab session. They will not be accepted late for any reason. There will be ten homework assignments and every homework assignment will be included in the final grade calculation as well as the term paper. This required paper can be a model that you develop or a survey of papers in IO literature. I will distribute guidelines and a list of suggested topics. You may pick your own topic, subject to approval. I require an intermediate Paper Memo at the end of the 7th week of term, which should include a clear statement of the economic issues you will discuss, and any other legal or policy issues, and a comprehensive bibliography. The final paper is due at the end of the 16th week of term. The paper must be original, and cannot be taken from another class. Attendance is a very important part of the course and students will be graded on class participation. You are strongly encouraged to discuss any questions you may have regarding the homework assignments with me and your T.A.

Iowa State University complies with the American with Disabilities Act and Section 504 of the Rehabilitation Act. Any student who may require an accommodation under such provisions should contact me as soon as possible and no later than the end of the first week of class or as soon as you become aware. No retroactive accommodations will be provided in this class.
Schedules and Topics (may be subject to changes):

**Week 1** Introduction to Industrial Organization. The theory of the firm (Chapter 1)

**Week 2** Some Basic Microeconomics Tools (Chapter 2)
Market Structure and Market Power (Chapter 3)

**Week 3** Market Structure and Market Power (Chapter 3)

**Week 4** Technology and Cost (Chapter 4)

**Week 5** Price Discrimination and Monopoly: Linear pricing (Chapter 5)

**Week 6** Mid-Term: Chapters 1-5

**Week 7** Price Discrimination and Monopoly: Non-linear pricing (Chapter 6)

*Intermediate Paper Memo*

**Week 8** Static Game and Cournot Competition (Chapter 9)

**Week 9** Price Competition (Chapter 10)

**Week 10** Dynamic Games and First and Second Movers (Chapter 11)

**Week 11** Horizontal Mergers (Chapter 16)

**Week 12** Second Mid Term. Chapters 6, 9, 10, 11 and 16

**Week 13** Vertical Price Restraints (Chapter 18)

**Week 14** Thanksgivings break

**Week 15** Research and Development (Chapter 22)

**Week 16** Patents and Patent Policy (Chapter 23)

*Final Paper due the last week of course*

**Week 17** Final Examination