

Economics 445: The Economics of Industrial Organization

Instructor: Jennifer Warlick, Associate Professor of Economics

Course Description

This course examines the relationship among firms in an industry or across industries and the nature of strategic interaction among firms. Its goal is to educate you about the way economists think about the structure, conduct, and performance of industry. This thinking focuses on theoretical models which represent rational arguments and strategies, and which can be tested empirically. We will survey the models used by economists as they advise private corporations about their best strategic moves. These models also guide the government's judgment of the desirability of proposed mergers and other types of firm conduct in the context of antitrust laws.

Learning Goals

By semester's end I hope you will understand and appreciate how micro-economic theory can contribute to our understanding of the conduct and performance of firms and industries, have a basic understanding of US Antitrust laws and their application, master optimization problems, and improve your verbal and writing skills by producing a team-written paper that is presented to the class.

Office and Hours

My formal office hours will be on Tuesdays, 10 a.m. to noon, and by appointment. Most other days, I will be working in my office (245 O'Shaughnessy Hall) from 10:00 a.m. to 5:00 p.m. and you are welcome to drop in. It is better, but not necessary, to call ahead (631-6335) to make sure that I am in.

Summary of Course Work and Grading System

Course work includes homework assignments, two take-home exams during the semester and a final exam. I will assign the following weights to each of the above in the determination of your course grade:

Homework assignments	20 percent
Price-fixing paper	20 percent
Two take-home exams @ 20percent	40 percent
Final exam	20 percent

Homework Assignments

Throughout the semester I will assign homework that will be due at the beginning of the next class period. This homework will be collected, corrected and returned to you. No homework will be accepted late unless you have arranged to do so prior to class or have an excused absence.

You will receive a letter grade for this homework at the end of the semester. You will receive a letter grade no less than a B for each assignment that reflects a serious effort. Perfect and near perfect work will receive a grade of A. If you fail to submit an assignment, or submit work that is incorrect and obviously last minute, you will receive a grade that reflects the accuracy of your work. Your letter grade will be converted into a numerical value in the calculation of your final course grade according to the table shown under the subheading **Calculation of Course Grade**.

Price-fixing Paper

I will assign each student to a study group of 3 to 5 students. Each study group will investigate a recent price fixing case and summarize their findings in an 8 to 10 page paper that they will present to the class. The papers must be distributed to the class no later than noon of the day before the class discussion.

Hourly and Final exams

The take-home and final exams will be a combination of (1) problems similar to our homework problems, and (2) true/false, multiple choice, matching, and essay questions. You are to work independently on all exams and comply with the honor code.

Calculation of Course Grade.

Your performance on the homework assignments, paper, and exams will be indicated by a letter grade. Each letter grade has a corresponding numerical value as follows:

A	4.00	B	3.00	C	2.00	F	0.00
A-	3.67	B-	2.67	C-	1.67		
B+	3.33	C+	2.33	D	1.00		

Your final course grade will be the weighted average of your grades on the homework assignments, in-class exams, and term paper. I will convert the weighted averages into a letter grade as follows:

3.75 - 4.00	A	2.75 - 3.24	B	1.75 - 2.24	C	below 0.75	F
3.50 - 3.74	A-	2.50 - 2.74	B-	1.50 - 1.74	C-		
3.25 - 3.49	B+	2.25 - 2.49	C+	0.75 - 1.49	D		

Attendance Policy

Attendance is not required. I presume that as majors in economics, you incorporate the opportunity costs of attending and missing class into your decision making. Note that I will not accept homework assignments late unless you have a valid excuse for missing class (illness, job interview, etc.). It is to your advantage to notify me in advance in writing that you will be absent whenever possible. It is up to you to explain your absences. If you do not, I will assume that your absence is unexcused and I will not accept late assignments.

Required Books

Lynne Pepall, Daniel J. Richards, and George Norman, *Industrial Organization: Contemporary Theory and Practice*, 2nd Edition. South-Western Publishing, 2002. (Available at Notre Dame Book Store)

Kurt Eichenwald, *The Informant*. Broadway Books, Random House, Inc., 2001. ISBN 0-7679-0327-7. (Order on line from Amazon; price ranges from \$2.50 to \$11.17.)

Reading and Assignment Schedule

The assignments on the next page are tentative and subject to change. The reading assignments are inclusive of the sections and page numbers listed. *The homework assignments are due the day they are listed on the schedule.*

Tentative Course Schedule

Wk	Class day	Week day	Date	Ch	Section	Pages	Practice problems	End of Chapter problems
1	1	W	8-25					
1	2	M	9-30	1	Intro-1.2	1-30	1.1-1.5	
2	3	W	9-1	1	1.3-Summary	30-52		2,4,6
2	4	M	9-6	2	Intro-2.2	53-76	2.1, 2.2	
3	5	W	9-8	2	2.3-summary	76-95		1,5,10
3	6	M	9-13	4	Intro-4.2	154-180		
4	7	W	9-15	4	4.3-Summary	180-211	4.3	1,2,4,7
4	8	M	9-20	5	Intro-5.1	223-237	5.1	Take-home distributed
5	9	W	9-22	5	5.2-5.3.0	237-247		Take-home due
5	10	M	9-27	5	5.3.1-5.3.2	247-258	5.2, 5.3	
6	11	W	9-29	5	5.4-Summary	254-276	5.4, 5.5	
6	12	M	10-4	6	Intro-6.2	282-296	6.1, 6.2	
7	13	W	10-6	6	6.3-6.4.1	296-317	6.3,6.4, 6.5	
7	14	M	10-11	6	6.4.2-6.5	317-329		
8	15	W	10-13	6	6.6-Summary	329-344		2,3
					Fall Break			
8	16	M	10-25	7	Intro-7.3	349-377		
9	17	W	10-27	7	7.4-7.5	377-393	7.1,7.3,7.4	
9	18	M	11-1	7	7.6-Summary	393-401		1-7
10	19	W	11-3		<i>ADM Case Study</i>			
10	20	M	11-8	7	<i>The Informant</i>			
11	21	W	11-10	8	Intro-8.1.2	407-418	8.1	Take-home distributed
11	22	M	11-15	8	8.1.3-8.2	418-436		Take-home due
12	23	W	11-17	8	8.3	436-449		8
12	24	M	11-22	8	8.4-Summary	449-462		
13	25	W	11-24	10	Intro-10.3	528-547	10.1	
13	26	M	11-29	10	10.4	547-566	10.2	1,3,4
14	27	W	12-1	10	10.5-Summary	566-585	10.3	
14	28	M	12-6		Student			
15	29	W	12-8		Presentations			
16	30	T	12-14		Final Exam			
						4:15 pm		

