

ECON 480 - Economics of Industrial Organization
Spring 2011

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Administrative details

Date and Location of class: Tuesday - Thursday 10:00-11:50am, KAP 156.

Web: Information is posted at <http://www-rcf.usc.edu/~brocas>. The Web is your source of information for all details concerning the organization of the course.

Contact: For quick questions that are not answered on the web, contact me by e-mail. For longer questions, ask for an appointment.

Office hours: I am always available to go over class material after class. Other time dedicated to students is by appointment. If a TA is available for this course, he/she will hold office hours to answer your questions on the problem sets and exams.

Disability: Students requesting academic accommodations based on a disability are required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP when adequate documentation is filed. Please be sure the letter is delivered to me as early in the semester as possible. DSP is open Monday-Friday, 8:30-5:00. The office is located at Student Union 301 (Ph.: (213) 740-0776). Extra time for examinations must be arranged by the students with DSP (see dates of examinations below).

Attendance: In case you cannot attend a class, it is your responsibility to check the information that is posted on the web, and arrange with other students in your class to get class notes.

Prerequisites: ECON 303 is required. You also must be comfortable with mathematical notations and formal reasoning.

Grading policy: Absolute grading will be used. You will be graded on your performance and grades are not negotiable. The final grade is a weighted average of the following:

- Two in-class exams: 30 % each
- Project: 30 %
- Participation : 10 %

In-class exams: in class exams will consist of problem set questions. They will be closed book. Not showing up at an exam is a 0.

Project: the project consists in applying the concepts of the course on a given topic (e.g. a particular market, a business strategy). A document identifying both the topic and the scope of the assignment will be available early in the semester. The last sessions of the course will be dedicated to discuss your projects: each student is required to make an in-class presentation of his/her findings which will be followed by a discussion with all other students. A written report must be returned to me the last day of class. Students are required to work in groups on this project.

Participation: Each student's participation will be evaluated with respect to the contribution that student makes towards the entire class' learning experience; in other words, quality of contribution matters more than frequency of speech. Attendance is a necessary but not sufficient condition for earning an acceptable class participation score.

Important: if you wish to appeal your grade on any written assignment, return your assignment to me along with a memo explaining why you think the grade should be changed. All exams will be re-graded in their entirety.

Problem sets : problem sets will be provided and solved in class. They are meant to illustrate the concepts presented in class and to prepare students to solve exam questions.

Deadlines:

- Last day to choose a group (see project): February 19, 2011.
- In-class exam # 1: February 22, 2011 (subject to changes)
- In-class exam # 2: April 7, 2011 (subject to changes)
- Project due April 28, 2011.

Important: if the in-class examinations fall at a time that conflicts with your observance of a holy day, make sure to contact me before January 30, 2011 to schedule an alternative date for the entire class.

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Description of the course: The aim of Industrial Organization is to study the functioning of markets. Analysts in the field are interested in studying the structure and behavior of firms (business-strategy), and to assess market efficiency. The methodology consists in building economic **models**. The aim of the course is to introduce and review these two aspects of the theory. Topics include pricing models, strategic aspects of business practice, and (some) regulation.

Audience: The course is suitable for students interested in a career in consulting or who wish to apply to graduate school. It is important to be comfortable working with economic models and formal reasoning.

Topics: we shall cover the following topics (subject to changes):

1. Consumers' choice
2. Pricing with and without market power
3. Monopoly power and price discrimination
4. Monopoly pricing and the durable good problem
5. Pricing under oligopolistic competition
6. Barriers to entry
7. Product differentiation
8. Vertical integration

Textbook: No book is required. For those of you who would like to make further readings, the following books can be helpful

- *Modern Industrial Organization*, Perloff and Carlton, Longman Science & Technology; 3rd edition (1999).
- *Industrial Organization: Theory and Applications*, O. Shy, MIT Press (1996).
- *The Theory of Industrial Organization*, J. Tirole, MIT Press (1988).

Given those books are only recommended, readings will not be assigned. For those of you who wish to complement class notes with readings, check the chapters and sections corresponding to the course topics.