

Syllabus  
Economics 327  
Industrial Organization  
Fall 2007  
Tues/Thurs. 2b (8:50 – 10:00)

Instructor:

Peter von Allmen  
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Office Hours:

Tuesday/Thursday: 10:15 – 11:30AM  
Monday/Wednesday: 9:30 – 11:00AM

Required texts:

*Industrial Organization: Theory and Practice*, 3<sup>rd</sup> edition.  
Don E. Waldman and Elizabeth J. Jenson  
*The Structure of American Industry*, 11<sup>th</sup> edition.  
Walter Adams and James Brock

**The Goals of this course**

- Gain an understanding of how microeconomics models can be used to explain industry structure and outcomes.
- Become familiar with the various approaches and schools of thought regarding the relationship between structure and performance.
- Analyze and compare the structure conduct and performance of a variety of industries through a series of readings.
- Perform an industry analysis using the theoretical tools learned in the course.

**Assessment.** Your grade will consist of five components: three hourly exams, class attendance and participation, and a project (with presentation) that will also serve as the final evaluation. Note that attendance and participation are not one and the same. Participation requires that you attend class with readings complete such that you can participate in and add to the discussion. Unexcused absences in excess of three will result in grade reductions. Grades will be weighted as follows:

Exams (1-3)	20% each	60%
Attendance and participation		10%
Final project		30%

You must notify me BEFOREHAND if you need to reschedule an exam. If you do not take an exam on the date it is given without first making alternative arrangements, you will receive a score of zero for that exam.

**Academic Honesty:** I endorse and strictly enforce the college's academic honesty policy. Violations of this policy will result in failure for the semester, no exceptions. The academic honesty policy can be found in the student handbook under "Academic policies and Regulations" and in the college catalog (p.46). Make sure you have read and understand these important policies. If you have any questions, PLEASE ask.

Schedule (may be adjusted as necessary)

### August

- |    |  |                   |
|----|--|-------------------|
| 28 | Introduction to Industrial Organization<br>Class business  | W&J Ch. 1         |
| 30 | How Competitive Forces Shape Strategy<br>"How Competitive Forces Shape Strategy", Michael Porter<br><i>Harvard Business Review</i> , March – April 1979. | Porter, W&J Ch. 1 |

### September

- |    |   |                                       |
|----|---|---------------------------------------|
| 4  | Costs from an economic perspective<br>Review of perfect competition model | W&J Ch. 2; Ch. 3                      |
| 6  | Perfect Competition and Monopoly  | W&J Ch. 3; A&B Ch. 1<br>(Agriculture) |
| 11 | Understanding Market Structure  | W&J Ch. 4; A&B Ch. 4<br>(Beer)        |
| 13 | Understanding Market Structure (cont'd)                                   | W&J Ch. 4; A&B Ch. 4<br>(Beer)        |
| 18 | Measuring Performance   | W&J Ch. 6; A&B Ch. 5<br>(Automobiles) |
| 20 | Measuring Performance (cont'd)  | W&J Ch. 6; A&B Ch. 5<br>(Automobiles) |
| 25 | <b>EXAM #1</b>  |                                       |

27 Review of game theory W&J Ch. 7  
Project update from groups

### October

2 Competing theories of oligopoly W&J Ch. 8  
Non-cooperative oligopoly (skip 8.1.3, 8.1.4)  
Cournot, Bertrand, Stackelberg

4 Competing theories of Oligopoly (cont'd) W&J Ch. 9  
Cooperative behavior – Collusion A&B Ch. 12  
(College Sports)

9 **NO CLASS –FALL BREAK**

11 Analysis of Oligopoly models continued A&B Ch. 7  
Mergers (Banking))

16 Cartel behavior W&J Ch. 10  
A&B Ch. 2  
(Petroleum)

18 **EXAM #2**

23 Pricing and price discrimination W&J Ch. 15

25 Pricing strategies continued W&J Ch.11,section2  
(predatory pricing)  
A&B Ch. 6  
(Music industry)

30 Film - WalMart

### November

1 Advertising and product differentiation W&J Ch. 13

6 Technological Change W&J Ch.14

8 Technological Change A&B Ch. 10  
(Health Care)

13 Group work/project updates

15 Regulation and Deregulation W&J Ch. 17

- 20 Regulation and Deregulation A&B Ch. 9  
(airlines)
- 22 **NO CLASS - THANKSGIVING**
- 27 Public Policy/Review A&B Ch. 13
- 29 **EXAM #3**

December

- 4 Group Presentations
- 6 Group Presentations