

Econ 327: Industrial Organization
Moravian College, Spring 2012
Department of Economics and Business

Professor: Sabrina Terrizzi

Office Location: Comenius Hall 210

Office Phone: 610-625-7937

E-mail: terrizzis@moravian.edu

Office Hours: Fridays: 10:15 am – 12:15 pm, or by appointment

Class Information:

Meeting Times: Mondays, Wednesdays 10:20 am – 11:30 am

Class Location: Priscilla Payne Hurd Academic Complex 103

What is this course all about? This course is the study of the theory and practice of pricing by firms. We will analyze a variety of industries and pricing models to gain a deeper understanding of what drives price, quality, advertising, and other firm decisions across industries. Discussion of empirical studies, current policy debates, and the relevance and limits of the economic approach will be emphasized. Perhaps a better way to understand this course is to see the cartoon below:

Essentially, we will use economic analysis to help us understand how firms make pricing decisions and how they determine their competitive advantage in a market. Emphasis is on the economics and not politics or personal opinions. The goal of this course is for you to be able to analyze firm decisions using the tools and perspectives of an economist.

What I am required to read?

Modern Industrial Organization, 4th Edition, Carlton, Dennis W. and Jeffrey M. Perloff, Pearson Addison-Wesley, c. 2005.
ISBN: 0-321-18023-2

The Structure of American Industry, 12th Edition, James Brock, Pearson Prentice Hall, New Jersey, c. 2009.
ISBN: 0-13-607279-8

Several websites have excellent and regular information on economic articles relevant to classroom discussion.

New York Times <http://www.nytimes.com/>

Wall Street Journal <http://online.wsj.com/public/page/news-economy.html>

Other relevant readings and course materials will be posted on the Blackboard site for this class. Please check Blackboard regularly.

What preparation do I have to have? Economics 152 and 255

How will I be assessed?

Quizzes (2)	20%
CPAs	30%
Industry Analysis	20%
Scrap Book (2)	10%
Virtual Profit-Seeking Game	10%
Class Participation	10%

What are the learning outcomes for this course?

- Understand how microeconomic models can be used to explain industry structure and outcomes
- Analyze and compare the structure, conduct, and performance of a variety of industries
- Perform an industry analysis using the theoretical tools learned in the course
- Develop critical thinking and problem solving skills as they relate to economic analysis in the industrial sector

***What schedule will we follow in this course?**

Week:	Topic:	Assignments Due:
1: Jan 16, 18	Review Basic Economic Market Structures: Chapters: 1 & 2	
2: Jan 23, 25	Perfect Competition, residual demand, efficiency, externalities: Chapter 3	CPA 1: Due Jan 25
3: Jan 30, Feb 1	Entry & exit, Monopoly, Monopsony: Chapters 3 & 4	CPA 2: Due Feb 1
4: Feb 6, 8	Dominant firms & competitive fringe: Chapter 4	CPA 3: Due Feb 8
5: Feb 13, 15	Cartels: Chapter 5	Initial Industry Analysis: Due Feb 15
6: Feb 20, 22	Oligopolies: Chapter 6	Scrapbook 1: Feb 22
7: Feb 27, 29	Multi-period games: Chapter 6	Quiz 1: Feb 29
8: Spring Break (no class Mar 5, 7, 9)	Spring Break	Spring Break
9: Mar 12, 14	Differentiation, representative consumer model: Chapter 7	CPA 4: Due Mar 14
10: Mar 19, 21	Location models, Quality choice: Chapter 7; VCR	CPA 5: Due Mar 21
11: Mar 26, 28	Industry structure and performance: Chapter 8; VCR	CPA 6: Due Mar 28
12: Apr 2, 4	Strategic behavior, predatory pricing: Chapter 11; VCR	VCR Analysis: Due Apr 4
13: Apr 11 (no class Apr 9)	Limit pricing: Chapter 11	Scrapbook 2: Apr 11
14: April 16, 18	Innovation; patents, market structure: Chapter 8	Quiz 2: Apr 18
15: Apr 23, 25	Industry Analysis Presentations	Final Report Due: May 2 by 10:30 am

CPA assignments will be listed on Blackboard at least one week prior to their due dates. Textbook references detailed above are for Carlton and Perloff.

*Tentative schedule, subject to change with notice.

What are your classroom policies?

1. Attendance is expected at each class period. Class participation is an essential aspect of this course. Absences will result in a decreased grade in the class due to lack of participation ability.
2. As a common courtesy for your fellow students and myself, I expect students to be on time.
3. I do not allow cell phone use in class.
4. Violations of the Moravian College Academic Honesty Code will not be tolerated.
5. Late assignments are not accepted and a grade of zero is recorded. Please be cognizant of the due dates for each assignment. No exceptions will be made to accommodate late work.
6. Part of your responsibility as a Moravian student is to attend classes and to take notes. This is an essential part of the learning process. I will therefore not post extensive lecture notes online. Also, note that this course will be fairly intense, so it is essential that you do not fall behind in your readings.
7. If you miss a quiz, the percentage from the missed quiz will be split added to the other quiz. I do not give makeup quizzes. This applies for an excused absence. Missing a quiz without a proper excuse will result in a grade of zero on that quiz.
8. The final report is due at the final exam date and time assigned by the registrar.
9. Students who wish to request accommodations in this class for a disability should contact Mr. Joe Kempfer, Assistant Director of Learning Services for Disability Support, 1307 Main Street (extension 1510). Accommodations cannot be provided until authorization is received from the office of Learning Services.

The following pages detail specific information regarding each assessment. More details will be provided as due dates and quiz dates approach.

QUIZZES

Quizzes are meant to assess your knowledge of concepts covered in class. They will consist of a combination of empirical and qualitative analysis of market structures and pricing strategies analyzed in this course. Each quiz will cover specific topics that I will announce a few class periods before the quiz. You may need calculators for some quizzes. Simple four-function calculators are the only type of calculator permitted during exams. You cannot share calculators. Cell phones may not be used as calculators, nor for any other purpose during a quiz. Quiz dates are listed above, and make-ups will not be given.

Sometimes a student will disagree with a grade assigned to a particular question. This is a legitimate concern and will be addressed in the following procedure. To have an answer reevaluated, the student must submit a written request for a reevaluation. This request should identify the question in dispute, provide a written explanation why the student feels the question was incorrectly evaluated, and propose a suggested remedy. It is within the instructor's purview to apply qualitative judgment in determining grades for an assignment or for a course. The following dates represent the deadline for grading appeals (appeals received after the below-stated dates will not be reviewed):

Quiz 1: Mar. 19

Quiz 2: Apr. 27

COURSE PREPARATION ASSIGNMENTS

Course preparation assignments are designed to facilitate discussion in the classroom. You will be required to prepare weekly CPAs according to the schedule detailed above. Topics and response requirements will be detailed each week on Blackboard.

Your CPA must be submitted to Blackboard before class begins! The CPAs are due via Blackboard by 10:00 am on the due date listed above. You are also required to bring a copy of your CPA to class on the date it is due, so you can reference it during classroom discussion.

CPAs will include a review of a current article related to the weekly topic of discussion. Discussion or empirical analysis of specific economic points will be required.

I will randomly select a student to lead the class discussion corresponding to the CPA assignment on the date it is due. Each student should come prepared to facilitate the discussion on that topic. Your facilitation of class will represent half of your class participation grade.

INDUSTRY ANALYSIS

An important outcome of this course is an enhanced understanding of the economic theory explaining price, quality, and advertising decisions firms make. The capstone assignment for this course is a complete industry analysis of an industry of your choice. Each student will choose one industry from *The Structure of American Industry* by James Brock. Over the course of the semester (two presentations and one written report), each student will become the resident expert of that industry (i.e. understand market structure, pricing models, product differentiation methods) and share that information with the class. The corresponding chapter in *The Structure of American Industry* will serve as the basis for your research. Additional references will include newspaper and academic articles, as well as class discussions. Details regarding each phase of the analysis will be discussed in class as the course progresses.

SCRAPBOOK FOR INDUSTRIAL ORGANIZATION

Collect and analyze 4 newspaper or magazine articles relating to different economic issues faced by firms in various industries. Each article should represent a distinct industry. The analysis of each article should:

1. indicate what specific economic concept(s) is (are) discussed in the article;
2. demonstrate an understanding of the concept(s); and
3. demonstrate why this article is a good example of the concept(s).

In addition, each submission (of two articles) should include a brief analysis comparing or contrasting the market structures in the two industries analyzed.

The following “rules” apply:

- Articles must have appeared in print since the beginning of the semester (Cartoons are eligible).
- Source and date of each article must be indicated. All types of magazines and newspapers are eligible.
- The analysis must be typed (or word processed) and double-spaced. Cut and paste the article into the scrapbook.
- The analysis of each article is limited to a maximum of two pages, not including the graphs.
- Scrapbooks are due on two different dates during the semester...two entries per each due date.

Scrapbooks will be graded on:

- Quality of the analysis of each article.
- Appropriateness of the articles selected.
- Appropriate use of graphs, where relevant.

- Diversity of topics covered in the articles.
- Overall presentation of the materials.

Scrapbooks are due at the beginning of class on the date listed above. Late scrapbooks will not be accepted.

CPAs and scrapbooks will be graded according to the following scale:

- 5: Excellent, response includes clear and complete thoughts and a detailed, accurate analysis
- 4: Good, response contains fully developed ideas, but the understanding of the concepts is slightly confused
- 3: Fair, response is not fully developed and understanding of the concepts is not evident
- 2: Poor, response is incomplete and analysis is missing or totally inaccurate
- 1: Unacceptable, response is unintelligible and lacks proper analysis and thought development
- 0: Late or missing

Virtual Profit-Seeking Game (VCR)

The virtual profit-seeking game is a web-based game of competition between firms. It involves making decisions on pricing, product location, and investments for your multi-product firm. Your grade will be based on the value of your firm at the end of the game and a report describing how and why you made your decisions. More details regarding the timing of the game and deliverables related to the game will be provided as class progresses.