

**Econ 327: Industrial Organization**  
**Moravian College, Spring 2016**  
**Department of Economics and Business**

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**Professor:** Dr. Sabrina Terrizzi

**Office Location:** Comenius Hall 212

**Office Phone:** 610-625-7937

**E-mail:** terrizzis@moravian.edu

**Office Hours:** Tuesdays: 1-4 pm; or by appointment

**Dr. Terrizzi's Office-Hour Calendar:** <https://goo.gl/zfwsHl>

**Dr. Terrizzi's Google Calendar:** <https://goo.gl/wqRlMG>

**Class Meeting Times:** Mondays and Wednesdays from 8:55 am – 10:05 am

**Class Meeting Location:** Collier Hall of Science Room 202

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**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.

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*, 13th Edition, James Brock, Waveland Press, Inc., Illinois, c. 2009, reissued 2013.  
ISBN: 1-4786-2732-8

Several websites have excellent and regular information on health and health-economics related issues. As you peruse various links, be sure to verify the credentials of each author. Databases available through Reeves Library are excellent sources of scholarly articles.

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

**What preparation do I have to have?** Economics 152 and 225

### How will I be assessed?

Exams (2)	20%
CPAs	30%
Industry Analysis	20%
Journal for Industrial Organization	10%
Virtual Profit-Seeking Game	10%
Attendance and Participation	5%
Discussion Forum Posts and Responses	5%

### 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 is the workload expectation for this course?

This course is a full-unit course that meets twice per week for 70 minutes at each class period. Middles States Accreditation requires that each full-unit course include at least **174 hours of course work** during the fifteen-week semester. Over the course of this semester we will meet 28 times for 70 minutes each; therefore, our classroom time will only account for 33 of these required hours plus an additional three hours for final presentations. This implies that **work outside of the classroom** must meet a minimum threshold of 138 hours, or **nine hours per week**. The activities and assignments required for successful completion of this course are designed with that goal in mind.

### What happens if there is inclement weather?

In hazardous weather conditions, the College may be closed and classes cancelled, or the college may opt to run on a two-hour delayed schedule (see below). The decision to close or delay the opening of classes will be announced on the inclement weather hotline, 610 625-7995, and will be communicated on the following radio and TV stations: WLEV-FM 100.7, WAEB-FM 104.1, WAEB-AM 790, WCTO-FM 96.1, WRFY-FM 102.5, WBYN-FM 107.5, WODE-AM 99.9, WYYY-FM 107.1, WKFB-FM 107.5, WSBG-FM 93.5, WZZO-FM 95.1, and WFMZ-TV (Channel 69).

These closings or delays will also appear at the top of the login page on the College's internet portal AMOS ([amos.moravian.edu](http://amos.moravian.edu)) as well as the College's website ([www.moravian.edu](http://www.moravian.edu) <<http://www.moravian.edu>>). College-wide cancellations *after the start of the class day* will be announced on the public-address system of the HUB, the

campus e-mail system, the radio and TV stations mentioned above, and AMOS and the College's website.

**Two-Hour Delay:** If the decision has been made to open with a two-hour delay, the day does not begin with third-period classes; it begins with first-period classes on a shortened schedule. When following the delayed schedule, please note that there will be no "A" or "B" periods. A 2-hour delay does not affect courses, which begin at 4PM or later. Those courses would run on their normal schedule, if the college were open. Morning and afternoon science labs and studio art classes have their own schedule. Music lessons and practice are cancelled for the day when the delayed schedule is in effect.

### **What should I do if I need an accommodation in this course or need access to tutoring services?**

Students who wish to request accommodations in this class for a disability should contact the Academic Support Center, located in the lower level of Monocacy Hall, or by calling [610-861-1401](tel:610-861-1401). Accommodations cannot be provided until authorization is received from the Academic Support Center.

### **How do I schedule an appointment with you?**

If you would like to meet with me during office hours, please sign-up for an open office-hour slot using my Google calendar for office hour appointments, which can be found here: <https://goo.gl/zfwsHl>

If you would like to meet with me outside of my regularly scheduled office hours, please send a meeting request via Google calendar for an available time on my schedule between the normal working hours of M-F 8 am – 4 pm.

If you come by my office and my door is open, feel free to visit. If I am available I would be happy to work with you then; if not, we would find another time to meet using the methods described above.

### **What is the Learning Management System (LMS) we will use for this course?**

As members of this class you have been selected to be the early adopters of our new Learning Management System (LMS), **Canvas**. This system will replace Blackboard for all members of the Moravian community beginning in the Fall of 2016 and you are part of the first cohort who will be using this improved system! This means that as a member of this class you will use Canvas instead of Blackboard for all course-related material. You can access canvas at [canvas.moravian.edu](http://canvas.moravian.edu). Your login information is as follows:

- User ID: Moravian Email Address (stxxxXX@moravian.edu)
- Password: your AMOS password

Once you login to Canvas you will notice this course is already visible. We will spend time during the first week of class familiarizing ourselves with Canvas and we will learn more about this system as the semester progresses. To get you started you can view the following canvas help guides:

- Student Guide: <https://community.canvaslms.com/docs/DOC-4121>
- Video Guides: <https://community.canvaslms.com/docs/DOC-3891>

You can also download the Canvas app for your Apple or Android device (free of charge). The app is called Canvas by Instructure.

**Upon successful completion of this course you may become eligible for the Economics Honor Society (ODE)!**

Omicron Delta Epsilon (ODE) is the economics honor society. Its purpose is to recognize scholastic achievement in economics and to promote closer ties of students and faculty. Each semester ODE will organize meetings for any interested students. Current students can present their research and young economics alumni will talk about their careers. To become eligible for induction into ODE, students must attain junior status and have a 3.0 GPA in three or more economics courses as well as overall.

## What are the classroom policies?

1. **Attendance is expected** at each class period. Absences will not only reduce your participation grade, but also prevent you from becoming an engaged member of our classroom community.
2. As a common courtesy for your fellow students and myself, I expect students to **be on time**. Lateness not only reduces your participation grade, but also disrupts the learning environment.
3. I permit **appropriate and responsible use of technology** during class. Phones, tablets, and laptops can be used as calculators or as 'Internet-enabled' devices for **purposes of class assignment and discussion only**.
4. Violations of the Moravian College Academic Honesty Code will not be tolerated. **Plagiarism**, regardless of intent, is a violation of academic honesty. **All** cases of academic dishonesty **will be reported to Dr. Traupman-Carr** and the offender will receive a zero on the related work in addition to other possible sanctions.
5. Communication for this course will occur through your **Moravian e-mail account and Canvas**. You are required to check these sources regularly for updates and assignments related to this course.
6. **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.
7. **I do not give makeup examinations**. If you miss an assessment without notifying me beforehand, or without providing a proper excuse (written excuse from health center or dean), you will receive a zero for that assessment. If you miss an assessment due to an extenuating circumstance (and have proper documentation and notify me beforehand), the percentage from the missed assessment will be split evenly between the other remaining exams.
8. 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 or problem solutions online.
9. We will use the final exam period for presentations. Attendance is expected; please plan accordingly.
10. In the event of inclement weather, we will follow the decisions made by the college (see details above). Online meetings are an option if it becomes too dangerous to travel to class. I will provide updates via email.
11. **I do not offer extra credit**.

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

## EXAMS

Exams 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 exam will cover specific topics that I will announce a few class periods before the assessment. You may need calculators for some exams. 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 an exam. Exam dates are listed below 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 re-evaluated, 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):

Exam 1 Appeals: Mar. 16

Exam 2 Appeals: Apr. 27

## COURSE PREPARATION ASSIGNMENTS

Course preparation assignments (CPAs) 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 Canvas.

Your CPA must be submitted to Canvas before class begins! The CPAs are due via Canvas **by 8:50 am** on the due date listed below. You are also required to bring a (hard- or electronic-) 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.

## DISCUSSION FORUM

We will be using the Discussion Forum component of Canvas to discuss current events related to the various industries of study over the course of the semester. (Industries of study will be determined by the chosen final project topics of each group within the class.) You are required to participate actively in the conversations regarding your industry during the course of the semester.

Students are expected to collect current events related to the pricing strategies and competitive forces in their chosen industry on a bi-weekly basis throughout the semester. Because the journals will only be collected and reviewed twice during the semester, we will use the discussion forum in order to facilitate continual discussion on these topics. Students are expected to continually monitor this forum and are required to post to this community on a bi-weekly basis.

Active participation within the discussion forum includes:

1. posting an original article, or
2. referencing a second resource in your response to a classmates' post.

At a minimum your comment should include:

1. identification of the specific microeconomic concept(s) is (are) discussed in the article;
2. a demonstration of your understanding of the concept(s); and
3. an explanation of how this relates to theories discussed in class.

The following "rules" apply:

- Articles (podcasts or videos) must have appeared in print this year (2016).
- Source and date must be indicated. All types of media are eligible, but sources should be verified as credible.
- Journals will be collected and reviewed at different dates during the semester, between those due dates, you are expected to keep current on your industry and continue to post weekly to the discussion forum.

Posts will be graded on:

- Quality of the discussion (items 1-3 above).
- Appropriateness of the articles selected.
- Diversity of topics covered in the articles.

Bi-weekly posts are due by noon on Fridays, according to the schedule detailed below.

### **JOURNAL FOR INDUSTRIAL ORGANIZATION**

The journal provides you with an opportunity to share interesting insights regarding the current events discussed in the forum and make connections between industries and theory. Specific prompts for each journal assignment will be provided in Canvas at least one week prior to each journal's due date.

## **INDUSTRY ANALYSIS**

An important outcome of this course is an enhanced understanding of the economic theory explaining the price, quality, and advertising decisions that firms make. The capstone assignment for this course is a complete industry analysis of an industry of your choice. You will work in teams of 2-3 to complete the analysis. Each team will choose one industry from *The Structure of American Industry* by James Brock (industry choices outside this text are permitted provided you seek my approval). Over the course of the semester, 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.

## **ATTENDANCE AND PARTICIPATION**

Class participation and attendance accounts for ten percent of your final grade. Simply attending class will earn students an approximate participation grade of 75%. Attendance will be tracked through Canvas. Students can marginally improve their participation grade through “passive participation”, which implies attending class, taking notes, and being attentive. Students can substantially improve their participation grade through “active participation”, which includes volunteering thoughtful questions and answers on a regular basis. Students who choose not to attend class on a regular basis (i.e. have more than three absences during the course of the semester) or are perpetually late to class will receive a participation grade lower than a 75%.

Additionally, there will be surprise assessments on a regular basis to check students’ understanding of course material. Successfully completing these assessments will also improve a student’s participation grade.

Further, you can increase your participation grade by posting current event articles, podcasts, or videos to our Discussion Forum in Canvas. Responding to others’ posts can also improve your participation grade.

## **GRADING**

Rubrics will be provided for written assignments. Please note that all assignments will be graded for both content and quality. High content grades reflect your ability to demonstrate your advanced understanding of the assigned material. High quality grades reflect your ability to communicate clearly, use appropriate discipline-specific language, and proper grammar, spelling, and punctuation. If you are struggling in either area, please contact me to discuss methods of improvement. Tutoring and writing center services are also available to you, free of charge.



**Schedule of Assignments and Topics (subject to change with notice):**

<b>Week:</b>	<b>Topic:</b>	<b>Assignments Due:</b>
<b>1: Jan. 18 and 20</b>	Review Basic Economic Market Structures: Ch.: 1 & 2	<b>Syllabus Sign. Sheet: Jan. 20</b> <b>CPA 0: Jan. 22</b>
<b>2: Jan. 25 and 27</b>	Perfect Comp. Residual Demand, Efficiency, Externalities: Ch. 3	<b>CPA 1: Jan. 27</b> <b>Discussion Post 1: Jan. 29</b>
<b>3: Feb. 1 and 3</b>	Entry & exit, Monopoly, Monopsony: Ch. 3 & 4	<b>CPA 2: Feb. 3</b>
<b>4: Feb. 8 and 10</b>	Dominant firms & Comp. Fringe: Ch. 4	<b>CPA 3: Feb. 10</b> <b>Discussion Post 2: Feb. 12</b>
<b>5: Feb. 15 and 17</b>	Cartels: Ch. 5	<b>CPA 4: Feb. 17</b> <b>GC 4: Feb. 19</b>
<b>6: Feb. 22 and 24</b>	Oligopolies: Ch. 6	<b>Journal: Due Feb. 24</b>
<b>7: Feb. 29 and Mar. 2</b>	Review	<b>Exam 1: Mar. 2</b>
<b>8: Mar. 7 and 9</b>	(no class spring break)	
<b>9: Mar. 14 and 16</b>	Multi-period games: Ch. 6; Product Differentiation: Ch. 7	<b>CPA 5: Mar. 16</b> <b>Discussion Post 3: Mar. 18</b>
<b>10: Mar. 21 and 23</b>	RCM Location models, Quality choice: Ch. 7; VCR	<b>CPA 6: Mar. 23</b>
<b>11: Mar. 28 and 30</b>	Strategic behavior, Predatory pricing: Ch. 11; VCR	<b>Discussion Post 4: Apr. 1</b>
<b>12: Apr. 4 and 6</b>	Limit pricing: Ch. 11; VCR	<b>Initial Industry Analysis: Apr. 6</b>
<b>13: Apr. 11 and 13</b>	Price Discrimination: Ch. 9	<b>VCR Analysis: Due Apr. 13</b> <b>Discussion Post 5: Apr. 15</b>
<b>14: Apr. 18 and 20</b>	Review	<b>Exam 2: Apr. 20</b>
<b>15: Apr. 25 and 27</b>	Industry Analysis Final Preparation and Presentations	<b>Journal: Apr. 27</b>
<b>Final: May 2 @ 11:30 am</b>	<b>Industry Analysis Presentations</b>	<b>Final Report Due: May 2 by 11:30 am</b>

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