University of Wisconsin-Whitewater

Curriculum Proposal Form #3

## New Course

**Effective Term:**

**Subject Area - Course Number:** **ECON 757 Cross-listing:**

(See Note #1 below)

**Course Title:** (Limited to 65 characters) Industrial Organization

**25-Character Abbreviation:** Industrial Organization

**Sponsor(s):** Ran Tao

**Department(s):** Economics

**College(s):**

# **Consultation took place**: [x]  NA [ ]  Yes (list departments and attach consultation sheet)

Departments:

**Programs Affected:** **None**

**Is paperwork complete for those programs?** (Use "Form 2" for Catalog & Academic Report updates)

[x]  NA [ ]  Yes [ ]  will be at future meeting

**Prerequisites:** Entry into MS Economics Program

**Grade Basis:** [x]  Conventional Letter [ ]  S/NC or Pass/Fail

**Course will be offered:** [x]  Part of Load [ ]  Above Load

 [x]  On Campus [ ]  Off Campus - Location

**College:**  **Dept/Area(s):** ECON

**Instructor:** Ran Tao

 *Note: If the course is dual-listed, instructor must be a member of Grad Faculty.*

**Check if the Course is to Meet Any of the Following:**

[ ]  Technological Literacy Requirement [ ]  Writing Requirement

[ ]  Diversity [ ]  General Education Option:

Note: For the Gen Ed option, the proposal should address how this course relates to specific core courses, meets the goals of General Education in providing breadth, and incorporates scholarship in the appropriate field relating to women and gender.

**Credit/Contact Hours:** (per semester)

Total lab hours: 0 Total lecture hours: 48

Number of credits: 3 Total contact hours: 48

**Can course be taken more than once for credit? (Repeatability)**

[x]  No [ ]  Yes If "Yes", answer the following questions:

No of times in major:       No of credits in major:

No of times in degree:       No of credits in degree:

Proposal Information: ([***Procedures for form #3***](http://acadaff.uww.edu/UCC/Curriculum_Handbook_09/Procedures_form3.docx))

**Course justification:**

This proposed course will be a one of the elective courses that students in the MS Economics can take. Industrial Organization is the study of imperfect competition. Imperfect competition is pervasive in the economy. In this course, we will discuss how to describe imperfectly competitive industries, consider alternative strategies in such industries, evaluate the implications for profitability and welfare, and assess the impacts of public policies on firm strategy and industry performance. The insights will be useful to prospective consultants, investors, managers, and policy makers. Therefore, this course is an essential part of MS Economics degree curriculum.

**Relationship to program assessment objectives:**

This course teaches students to conduct industry studies. In doing so, it will help students engage in critical thinking and practice writing and oral communication skills.

Key objectives of the MS Economics degree include developing analysitcal and critical thinking, developing economic literacy and written and oral communication skill. This course can help students achieve these learning goals. Student will be able to

* formulate and structure the problem being examined using formal economic models
* develop a framework for making choices and make recommendations amongst the various alternatives
* have a good understanding of more advanced economic concepts
* write and present a paper reporting the results of any analyses they have undertaken

**Budgetary impact:**

* **Staffing**:- the course will be staffed by a Economics Department faculty that is Academically Qualified (AQ) and has Grad Faculty status.
* **Academic unit library and service & supply budget:** - no budgetary impact.
* **Campus instructional resource units**:- no budgetary impact.
* **Laboratory/studio facilities:**- No budgetary impact
* **Classroom space:**- A classroom is anticipated to be required in Hyland Hall to teach the class. The class will meet for 1hour 15 minute session, twice per week.
* **Evaluation of adequacy of current library holdings, recommendations for acquisitions, and impact of the course on the academic unit library allocation budget:** - No impact. The course will be taught using a graduate textbook which students will be required to obtain.
* **Explanation if the course is simply replacing another course, either entirely or in the cycle:**- This is a new course for the MS Economics degree, and does not replace any other courses.

**Course description:** (50 word limit)

Industrial Organization is the study of imperfect competition. We will explain why imperfect competition is pervasive, discuss how to describe imperfectly competitive industries, consider alternative strategies in such industries, evaluate the implications for profitability and welfare, and assess the impacts of public policies on firm strategy and industry performance.

**If dual listed, list graduate level requirements for the following:**

1. **Content** (e.g., What are additional presentation/project requirements?)

N/A

2. **Intensity** (e.g., How are the processes and standards of evaluation different for graduates and undergraduates? )
N/A

3. **Self-Directed** (e.g., How are research expectations differ for graduates and undergraduates?)
N/A

**Course objectives and tentative course syllabus:**

**ECON 757 Spring 2015**

**Industrial Organization Ran Tao**

Office: 4407 Hyland Hall, Tel: x5447, Email: taor@uww.edu

***Office Hours***

Walk in: MW 2:00pm – 5:00pm and by appointment.

**Prerequisites:** Econ 731

**Required Resources**

Required Text:

1. *Modern Industrial Organization,* 4th Edition, by Dennis W. Carlton and Jeffrey M. Perloff, Prentice Hall, 2005.
2. *Industrial Organization: Contemporary Theory & Practice* by Lynne Pepall, Daniel J. Richards, and George Norman, 4th ed. Wiley-Blackwell, 2008.
3. *Industry and Firm Studies* 4th ed. by Victor J. Tremblay and Carol Horton Tremblay, eds. M.E. Sharpe, 2007.

Additional Readings:

Additional readings will be posted on D2L.

**Course Description Objectives and Assessment**

Industrial Organization is the study of imperfect competition. We will explain why imperfect competition is pervasive, discuss how to describe imperfectly competitive industries, consider alternative strategies in such industries, evaluate the implications for profitability and welfare, and assess the impacts of public policies on firm strategy and industry performance. The insights will be useful to prospective consultants, investors, managers, and policy makers.

**Course Requirements and Grading**

Grades will be given on a number of homework assignments (20%); three non-cumulative midterms (20% each); and one final research project (20%).

 Weight

Homework Assignments 20 %

3 Midterm Exams 60 %

Research Project 20 %

 100 %

**A Note on Letter Grades**:

As a general guideline, grades will be assigned based on the raw scores from the grading scheme above as follows:

Letter Grade Percentage Grade Letter Grade Percentage Grade

A: 93-100%
A-: 90-92%
B+: 86-89%
B: 82-85%
B-: 78-81%
C+: 75-77%

C: 72-74%

C-: 69-71%

D+: 66-68%

D: 63-65%
D-: 60-62%

F: < 60%

No Curve is applied to the final grade distribution.

**Attendance Policy**

Enrollment in this course is taken as a commitment from you that you have made room in your life to fulfill the obligations of this course - coming to class, being there for exams when they are scheduled, etc.  I will not record attendance, but you will find yourself at a significant disadvantage if you miss class.  **It is the student’s responsibility to obtain any materials or information missed due to absence.**

**Advice**

The key piece of advice that I would say to you is to make sure you spend sufficient time trying to grasp the ideas that are being presented in class and in the papers you will read. These ideas are often complex and it takes time to fully grasp the issue at hand. You may find it useful as well to attend my office hours with any questions that you have. However, if you choose to use office hours, please come prepared with a list of questions, as that will probably allow us to use the time more effectively.

**Policy Statement**

*The University of Wisconsin-Whitewater is dedicated to a safe, supportive and non-discriminatory learning environment.  It is the responsibility of all undergraduate and graduate students to familiarize themselves with University policies regarding Special Accommodations, Misconduct, Religious Beliefs Accommodation, Discrimination and Absence for University Sponsored Events.  (For details please refer to the Undergraduate and Graduate Timetables; the “Rights and Responsibilities” section of the Undergraduate Bulletin; the Academic Requirements and Policies and the Facilities and Services sections of the Graduate Bulletin; and the “Student Academic Disciplinary Procedures” [UWS Chapter 14]; and the “Student Nonacademic Disciplinary Procedures” [UWS Chapter 17].*

**UWW Student Honor Code**

*As members of the University of Wisconsin – Whitewater College of Business & Economics community, we commit ourselves to act honestly, responsibly, and above all, with honor and integrity in all areas of campus life.  We are accountable for all that we say and write.  We are responsible for the academic integrity of our work.  We pledge that we will not misrepresent our work nor give or receive unauthorized aid.  We commit ourselves to behave in a manner that demonstrates concern for the personal dignity, rights and freedoms of all members of the community.  We are respectful of college property and the property of others.  We will not tolerate a lack of respect for these values.*

*This code originated at Wheaton College.*

**Course Outline and Reading List**

**I. Overview**

Overview of Industrial Organization (Chapter 1)

Additional Readings:

Schmalensee, R. 1988. "Industrial Economics: An Overview." *Economic Journal* 98: 643-81.

Ghemawat, P. 2002. "Competition and Business Strategy in Historical Perspective." *The Business History Review* 76:37-74

McGahan, A.M. 1999. “The Performance of US Corporations: 1981-1994.” *Journal of Industrial Economics* 47: 373-98

**II. Basics of Industrial Organization**

A brief review of calculus, graphs and-

Costs, Economies of Scale, Economies of Scope (Chapter 2)

Perfect Competition (Chapter 3)

Monopoly (Chapter 4)

Efficiency and Welfare (Chapter 3)

Measurements of Market Structure and Market Power (Chapter 8)

Additional Readings:

Dunne, T., M.J. Roberts, and L. Samuelson, 1988. “Patterns of Firm Entry and Exit in U.S. Manufacturing Industries.” *Rand Journal of Economics* 19: 495-515

Hall, R. 1988. "The Relation between Price and Marginal Cost in U.S. Industry." *Journal of Political Economy* 96: 921-47.

Aghion, P., and P. Bolton, 1987. “Contracts as a Barrier to Entry.” *American Economic Review* 77: 388-401.

**III. Monopoly Power: Price Discrimination**

Types of Price Discrimination (Chapter 9)

Additional Readings:

Leslie, P. 2004. "Price Discrimination in Broadway Theatre*." Rand Journal of Economics* 35: 520-41.

Schmalensee, R. 1981. "Output and Welfare Implications of Monopolistic Third-degree Price Discrimination." *American Economic Review* 71:242-7.

**IV. Oligopoly and Strategic Interaction**

Static Games: Cournot and Bertrand Competition (Chapter 6)

Dynamic Games: Stackelberg Leader and Follower Game (Chapter 6)

Additional Readings:

Bulow, J., J. Geanakopolos, and P. Klemperer, 1985. “Multimarket Oligopoly: Strategic Substitutes and Complements.” *Journal of Political Economy* 93: 488-511.

Morrison, S. and C. Winston. 1996. “Causes and Consequences of Airline Fare Wars.” *Microeconomics*, 85-131.

Shaked, A. and J. Sutton, 1986. "Relaxing Price Competition through Product Differentiation." *Review of Economic Studies* 49: 3-13.

**V. Anticompetitive Strategies**

Entry Deterrence: Limit Pricing, Predatory Pricing (Chapter 11)

Price Fixing, Repeated Games, and Cartel Collusion (Chapter 6, 5)

Selected antitrust cases from chapter 19

Additional Readings:

Osborne, M.J., and C. Pitchik. 1987. “Cartels, Profits, and Excess Capacity.” *International Economic Review* 28: 413-28.

Dixit, A. 1980. “The Role of Investment in Entry Deterrence.” *Economic Journal* 90: 95-106

Klepper, S. 2002. “Firm Survival and the Evolution of Oligopoly.” *Rand Journal of Economics* 33: 37-61.

**VI. Contractual Relations**

Vertical Integration and Vertical Restrictions (Chapter 12)

Selected antitrust cases from chapter 19

Regulation and Deregulation (Chapter 20)

Additional Readings:

Chipty, T, 2001. “Vertical Integration, Market Foreclosure, and Consumer Welfare in the Cable Television Industry.” *American Economic Review*, 91 (3): 428-53

Andrade, G., M. Mitchell, and E. Stafford. 2001. “New Evidence and Perspectives on Mergers.” *Journal of Economic Perspectives* 15: 103-20

**VII. Non-price Competition**

Advertising and Information (Chapter 13)

Patents and Technological Change (Chapter 16)

Additional Readings:

Cady, J.F. 1976. “An Estimate of the Price Effects of Restrictions on Drug Price Advertising.” *Economic Inquiry* 14: 493-510.

Caves, R. E. and D. P. Green. 1996. “Brands’ Quality Levels, Prices, and Advertising Outlays: Empirical Evidence on Signals and Information Costs.” *International Journal of Industrial Organization* 14: 29-52.

Klepper, S. 1996. “Entry, Exit, Growth and Innovation over the Product Life Cycle.” *American Economic Review* 86: 562-83.

Gallini, N.T. 2002. “The Economics of Patents: Lessons from Recent U.S. Patent Reform.” *Journal of Economic Perspectives* 16:2.

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| **Week 1** | Overview of I.O. |
| **Week 2** | Basics of I.O. |
| **Week 3** | Price Discrimination |
| **Week 4** | **Midterm 1** |
| **Week 5** | Oligopoly and Strategic Interaction |
| **Week 6** | Oligopoly, Anticompetitive Strategies |
| **Week 7** | Anticompetitive Strategies |
| **Week 8** | **Midterm 2** |
| **Week 9** | Contractual Relations |
| **Week 10** | Contractual Relations |
| **Week 11**  | Non-price Competition  |
| **Week 12** | **Midterm 3** |
| **Week 13** | Writing research papers |
| **Week 14** | Student Presentations |
| **Week 15** | Student Presentations |

**Bibliography:** (Key or essential references only. Normally the bibliography should be no more than one or two pages in length.)

1. *Modern Industrial Organization,* 4th Edition, by Dennis W. Carlton and Jeffrey M. Perloff, Prentice Hall, 2005.
2. *Industrial Organization: Contemporary Theory & Practice* by Lynne Pepall, Daniel J. Richards, and George Norman, 4th ed. Wiley-Blackwell, 2008.
3. *Industry and Firm Studies* 4th ed. by Victor J. Tremblay and Carol Horton Tremblay, eds. M.E. Sharpe, 2007.