

**BOSTON COLLEGE**  
**Department of Economics**

**EC 353: Industrial Organization**

Fall Term 2003

Professor James A. Dalton

**Office Hours:** Tuesdays and Thursdays 8:00-8:45;  
 10:30- 11:30 and 1:30-2:45; or by appointment

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**Prerequisites:** Students are expected to be well grounded in microeconomic theory. The course requirement is intermediate microeconomics, EC 201 or EC 203.

**Method:** This course expects active participation on a class-by-class basis. Although I frequently will use the traditional lecture method, I also will call on students in each class to discuss assignments. Developing writing skills and critical thinking are important objectives of the program in economics. To further this objective, this course requires each student to submit five (5) discussion papers and you will be called upon in class to discuss each one; the nature of the written assignments is described below. Finally, you will be graded also on two written examinations.

**Required Texts:** (1) Waldman, D. and E. Jensen. **Industrial Organization: Theory and Practice** (2<sup>nd</sup> edition). Reading, MA: Addison-Wesley, 2001 (W&J);

(2) Adams, W. and W. Brock. **The Structure of American Industry** (10<sup>th</sup> edition). Upper Saddle River, NJ: Prentice Hall, 2001 (A&B).

(3) Other required readings will be distributed in class.

<b>Grading:</b>	Discussion papers (4 best of 5 grades*)	30%
	*Failure to submit a reasonable effort on "5 <sup>th</sup> paper" will affect grade.	
	First exam	25%
	Final exam	35%
	Class participation	10%

There will be no scheduling of makeup exams. Only under extremely extenuating circumstances will an *excused* absence be considered.

**Discussion Papers:** Chapters from the A&B text contain case studies. For each of five papers you *must* submit a typed discussion of relevant elements in the respective chapters as to how those elements apply to the issue addressed in the assignments and class. Up to 7.5 percentage points will be awarded for a reasonable discussion. Each paper will contain two-to-three pages and *must* be submitted before the start of class on the date indicated in the syllabus; you will be asked in class to discuss your "relevant elements". You must not provide a summary of the paper; critical thinking is required and I suggest that you identify two or three key issues that the assigned reading contains and which relate to the course content. I will hand out an illustration of a discussion paper from one of the assigned readings from the A&B book.

**Course Calendar, Assigned reading and Communication:** The syllabus assigns readings by class; I reserve the option to change assignments. The assigned readings not contained in W&J and A&B will be available in class (H). Finally, all email communications must use the address listed at the top of this page.

## Course Syllabus

### I. Introduction and Basic Theory

September 2	A. Introduction	W&J, Ch.1.
September 4	B. Competition vs. monopoly	W&J, Ch.2 (esp.pp.34-51); A&B, Ch.1 (agriculture industry); handout illustrating an approach to discussing this chapter in A&B. For additional review, see chapters on competition and monopoly in any intermediate microeconomics text.

### II. Public policy: Background

September 9	A. Overview of antitrust policy	“Antitrust Laws” (H); W&J, Ch.18 (pp.557-562); A&B, Ch.13 (pp. 351-355); Kovacic, W., and C. Shapiro, “Antitrust Policy: A Century of Economic and Legal Thinking,” <i>The Journal of Economic Perspectives</i> , 15 (Winter 2000), pp.43-60.
September 11	B. Integration of economics and antitrust policy	“Economics in Antitrust Enforcement” (H); H. Petersen, “Markets Are Good” (H); and Barnes, D., “Antitrust, the Rule of Reason, and Democracy,” <i>Review of Industrial Organization</i> (March 1999), pp. 115-122 (H).

### III. Market Structure

September 16	A. Market Concentration	W&J, Ch.4, pp. 90-102, 113-11; L. White, “Trends in Aggregate Concentration in the U.S., <i>Jr. of Economic Perspectives</i> , Fall 2002, pp. 137-160.
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September 18		A&B, Ch. 3 (cigarette Industry). <b>Discussion paper due.</b>
September 23	B. Entry and Exit	W&J, Ch.5 (pp. 126-132 and 137-159).
September 25		A&B, Ch. 5 (automobile Industry). <b>Discussion paper due.</b>
<b>IV. Market Conduct</b>		
Sept. 30 & Oct. 2	A. Game Theory	A. Dixit, "Recent Developments in Oligopoly Theory", <i>AEA Papers and Proceedings</i> , May 1982, pp. 12-17 (H); W&J, Ch. 6, pp. 167-179; "John F. Nash, Jr. – Autobiography (from the Nobel website) (H).
	B. Collusion	W&J, Ch. 8 (pp. 238-248); "Factors Affecting the Ease/Difficulty of Collusion" (H).
October 7		Genovese and Mullin, "Rules, Communication, and Collusion: Narrative Evidence from the Sugar Institute Case", <i>American Economic Review</i> , June 2001; W&J, Ch. 9.
October 9		A&B, Ch.2 (petroleum). <b>Discussion Paper Due.</b>
<b>October 14</b>	<b>Optional: Session with expert from information services on research tools for term papers</b>	
<b>October 16</b>	<b>First exam</b>	
October 21 & 23	C. Entry and incumbents' strategies	W&J, Ch. 10, pp. 291-294; Ch. 11.
October 28	D. Antitrust: Monopolization and collusion	W&J, Ch. 18.
October 30	E. Price Discrimination	W&J, Ch. 14, pp 436-445, 455-462; Ch.19, pp. 601-611.
November 4	F. Predatory pricing	W&J, Ch. 10, pp. 294-301.

November 6	G. Product Differentiation and advertising	W&J, Ch. 12 (except pp. 359-361).
November 11		Rudin, Max, "Beer and America", <i>American Heritage</i> (June/July 2002), pp.28-38; and A&B, Ch. 4 (beer industry). <b>Discussion paper due.</b>
November 13	H. Tying and exclusive dealing: <i>The Matter of U.S. v. Microsoft</i>	W&J, Ch. 19, pp. 611-617; "Illustration of Bundling (Handwritten "H"); additional case materials to be distributed.
November 18	I. The computer industry and related antitrust cases	W&J, Ch. 13 OR A&B, Ch. 6; <b>Discussion paper due.</b>
<b>V. Market Power and Market Performance</b>		
November 20	A. Empirical evidence	W&J, Ch. 16.
November 25		Peoples and Talley, "Black-White Earnings Differentials...", <u>Papers and Proceedings, American Economic Review</u> , May 2001, pp.164-167; and Goff, <i>et al</i> , "Racial Integration as an Innovation: Empirical Evidence from Sports Leagues", <u>American Economic Review</u> , March 2002, pp. 16-26.
December 2	B. Competition, public policy and the U.S. steel industry	A&B, Ch. 13, pp. 355-370; additional material to be distributed.
December 4 & 9	C. Technological change	W&J, Ch.13.

**TBA Final Exam**