

Introduction to Industrial Organization

Spring 2012

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Course Summary

This is a standard undergraduate course in industrial organization. We will study functioning of product and service markets with few participants and no market regulation. In particular, we will focus on strategic decisions made by firms in the presence of strategic interdependence which arises because of the small number of participants. We start by developing theoretical tools which will help us to think about market phenomena in a systematic way. Then we will apply these tools to analyze business strategies that firms use to achieve higher profits. We will study implications of these policies on the firm's success in the market and, also, on the consumer / society welfare. In the later case, we would often refer to the laws and regulations imposed by the government in order to counteract some of the possibly harmful effects of these strategies.

Prerequisites: ECON 101; MATH 104 and MATH 114 or MATH 115.

Textbook: Pepall L., Richard D. and G. Norman, *Industrial Organization: Contemporary Theory and Practice*, Thompson & South-Western, Fourth edition.

Course Grade: Problem Sets 20 %; Quizzes 80%

Problem Sets and Exams : There will be 4-5 problem sets, assigned during the semester. The problem sets are designed to give you an opportunity to review the material learned in class. It is a good idea to work in small study groups. However, each student has to submit his or her own write-up of the solution. These solutions must be submitted on the specified due dates. Problem sets are graded out of 20 points. Note: Problem sets will be posted on the course web page. I will not distribute problem sets sheets. You are responsible for checking the web-site and downloading the questions. There will be four in-class quizzes throughout the semester. They will NOT be cumulative in terms of the topics covered. There will be NO midterms or final exams. The final course grade will be based on grades from problem sets and quizzes.

Regrading : All the re-grade requests (for problem sets or quizzes) should be submitted in writing within 1 week after the graded assignment has been returned.

Course Outline

1. Market Structure and Entry
 - a. Review of Firm's Problem Ch. 4.1
 - b. Perfect Competition Ch. 2.1
 - c. Monopoly Ch. 2.1
 - d. Dominant firm and Competitive Fringe Notes
 - e. Oligopoly Ch. 9
2. Price Discrimination – Monopoly Ch. 5, Ch. 6
3. Durable Good Pricing - Monopoly notes
4. Product Differentiation Ch. 7, Ch. 10
5. Horizontal mergers Ch. 16.1 – 16.3 (Ch. 16.5)
6. Vertical Relations and Vertical Mergers Ch. 17.1 - Ch.17.3, Ch. 17.6
7. Stackelberg Game Ch.11.1
8. Collusion and Repeated Interactions Ch. 11.2 - Ch.11.3, Ch.12