

ECO 326: Industrial Organization
SUNY at Stony Brook
Fall Semester, 2001

Professor: Sangin Park
Office: SBS S-633
Phone: 632-7559
Email: sanpark@notes.cc.sunysb.edu
Lectures: MWF 2:15 – 3:10 p.m. at Old Chemistry 144
Office Hours: M 1 – 2 p.m., W 12 – 1 p.m., or by appointment

Prerequisites: Intermediate Microeconomics (ECO 303)

Course Description: This course examines the relationship between market structure and firms' behavior and consumer welfare as well as the strategic interactions between and among firms and consumers. Our quest is for the simplest model or the smallest family of models capable of clarifying important policy issues such as collusion, predation, entry, price discrimination, vertical integration, and patent protection.

Textbook: Dennis W. Carlton and Jeffrey M. Perloff, 1999, *Modern Industrial Organization*, Third Edition, Addison Wesley Longman Inc.

Grading: Grade for the course will be based on 10 problem sets (**10%**), two in-term exams (**25%**, respectively) and a cumulative final exam (**40%**). The two in-term exams will be given on **Oct. 19 (F)** and on **Nov. 28 (W)**, respectively. The final exam will be given according to the published schedule.

Policies: 1) No makeup will be given. Excuses for absences from exams are limited to verifiable illness and emergencies. An unexcused absence from the exam will result on a score of zero. In the case of illness or emergency, if you are unable to contact me, be sure to contact the department of Economics at 632 - 7540.
2) A failure to turn in problem sets when due will lower your grade to 2/3 a grade. (For example, 90/100 will be 60/100.)
3) The students who want to fulfill their writing requirements in this course should sign up (after class) by the end of the third week of class.

If you have a physical, psychological, medical or learning disability that may impact on your ability to carry out assigned course work, I would urge that you contact the staff in the Disabled Student Service office (DSS), Room 133 Humanities, 632-6748/TDD. DSS will review your concerns and determine, with you, what accommodations are necessary and appropriate. All information and documentation of disability is confidential.

Course Outline / Reading List: The outline presented here is tentative. Changes may be made as we progress. Lectures should be viewed as complements to rather than substitutions for the reading. If you are having difficulty, seek me out early. The course builds on itself, so failing to address questions early will make your studies more difficult later.

I. Basics (3½ weeks)

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|---|------------------|-------------|
| 1. The History of Industrial Organization | Chapters 1 and 8 | |
| 2. Industry Structure and Firms | | |
| Empirical Evidence of U.S. Industries | Chapter 2 | |
| Concentration Measures | Chapter 8 | |
| Defining the Relevant Market | Chapter 19 | |
| Theory of the Firm | Chapter 2 | |
| 3. Perfect Competition | Chapter 3 | PS 1 |
| 4. Monopoly | Chapter 4 | PS 2 |

II. Oligopoly (4½ weeks)

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| | Chapter 6 | |
| 1. Game Theory | | PS 3 |
| 2. The Cournot Model | | |
| Cournot-Nash Equilibrium | | PS 4 |

===== **EXAM 1** =====

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| | | PS 5 |
| Collusion | | |
| Optimal Entry | | |
| 3. Alternatives to the Cournot-Nash Equilibrium | | |
| Stackleberg Leader-Follower | | PS 6 |
| Bertrand Price Competition | | |
| 4. Product Differentiation | | |
| Location Model | Chapter 7 | PS 7 |

III. Strategies and Business Practices (3½ weeks)

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| 1. Barriers to Entry | Chapter 11 | |
| Limit Pricing | | |
| Commitment Theory | | PS 8 |
| 2. Predatroy Pricing | Chapter 11 | |

===== **EXAM 2** =====

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| 3. Non-Uniform Pricing | | |
| Price Discrimination | Chapter 9 | |
| Two-Part Tariff | Chapter 10 | PS 9 |
| 4. Vertical Integration | Chapter 12 | PS 10 |

VI. Economics of R&D (1 week)

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| | Chapter 16 | |
| 1. Logic of patent protection | | |
| 2. Market Structure and Innovation | | |