

**University of Alaska Anchorage**  
**Department of Economics**  
**Fall 2013 Course Syllabus**

**ECON A459, Industrial Organization and Public Policy, 3 Credits**  
**Aug 26, 2013 – Dec 13, 2013**

**Instructor:** Matthew Reimer  
**Phone:** 907-786-5430  
**Email:** [mnreimer@uaa.alaska.edu](mailto:mnreimer@uaa.alaska.edu)  
**Office:** DPL 504F

**Location:** RH 206  
**Time:** TR 2:30p – 3:45p  
**Office Hours:** TR 4:00p – 5:00p, or by appointment.  
Note that office hours will be held in RH 205.

**Course Prerequisite/Co-requisites:** ECON A321 with a minimum grade of C.

**Textbook(s):**

Carleton, D., and J. Perloff. 2005. *Modern Industrial Organization*. 4<sup>th</sup> Ed. Boston: Addison Wesley. [NOT REQUIRED, but recommended. In UAA bookstore.]

- Note: lectures will not be straight from the textbook and will draw from multiple sources. The purpose of the textbook is to act as supplementary reading material to class lecture notes. Additional supplementary material will be posted periodically on the course Blackboard site.

**Catalog Description:** Analyzes different market structures. Additional topics include anti-trust and other government regulation; public policy issues in regulated industries, such as transportation, communications, electricity, and gas; and the economic and legal issues and problems arising from noncompetitive market conditions.

**Course Overview:** “Profits—how to spot them, grab them, and hang onto them.” Industrial organization is the study of the strategic behavior of firms in imperfectly competitive markets. Determining when and why competition is insufficient and how firms acquire and maintain market power is central to industrial organization and to this course. We will set out to answer the following questions:

1. Why are markets structured the way they are?
2. How does the structure of a market affect the way in which firms behave and markets perform?
3. How does the behavior of firms influence the structure and the performance of markets?

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Our focus will be on the strategic behavior of firms. How can firms create monopoly profits and maintain them? What are the social implications of this behavior? We will attempt to answer these questions within the context of a real-world industry that exemplifies many of the market characteristics covered in a typical undergraduate industrial organization course—namely, the U.S. beer industry.

Our main objective will be to develop a systemic way of formulating hypotheses about market structure and firm behavior, and evaluate their social implications. Rather than treating market structure and firm behavior as given, we will explain these things as the outcome of individuals' maximizing behavior. We will focus on building simple economic models of firm behavior and employ basic calculus and problem-solving tools to draw conclusions about real-world events. At the end of the course, you should be able to describe economic phenomena in a precise and concise manner through the use of words, pictures, and mathematical notation.

### Communications and availability

The best way to reach me is through email, or by coming to scheduled office hours or at a scheduled appointment. Note that my main office is in the Diplomacy Building (DPL 504F). The office that I will hold office hours in (RH 205) is a shared office for faculty from the Institute of Social and Economic Research. I will therefore not always be around Rasmuson Hall, so that a scheduled appointment works better than "dropping in." To facilitate efficiency, ***be sure to use ECON 459 in the subject line so I will spot your message quickly.*** I will communicate regularly through Blackboard, so students are expected to visit the course Blackboard site on a regular basis and ensure that Blackboard is using a current email address.

### Assignments and Evaluation

Success in this class will require consistent learning effort over the course of the semester. To motivate students to keep pace with the material presented in class, students will be required to complete a problem set every two weeks (for a total of 7). There will also be a final exam at the end of the semester.

Problem sets are designed to facilitate the understanding of course material, the building of simple economic models, and the practice of using problem-solving tools to draw conclusions about real-world events. Students are encouraged to discuss problem sets with their classmates; however, each student must turn in their own copy of the assignment. I take a very dim view of problem sets that are identical (see the *Academic Honesty* section below). Problem sets will be available on the course Blackboard site every second Thursday. Problem sets are due every second Friday at 5pm (see class schedule below) in RH 205. All assignments must be turned in on time, unless a written exemption has been obtained beforehand. Exemptions will be given only in exceptional circumstances.

Problem sets: 7 @ 10 points each = 70 points; Final exam: 30 points; Total: 100 points

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### Lecture Plan, Text Readings, & Assignments

Below is a tentative class schedule. I reserve the right to change this schedule as the course progresses based on student interest and how quickly we move through the material.

Week beginning (Monday)	Tuesday	Thursday	Topics	Problem Sets
1. August 26	Introduction  Math Review	Ch. 3 pp 56-65, 69-73  Ch. 4 pp 88-99 Post PS#1	Course methods and goals; Math Review; Review of perfect competition and monopoly.	
2. September 2	No class: Labor Day	Class Canceled		
3. September 9	Ch. 3 pp 65-69, 73-82  Ch. 4 pp 99-105	   Post PS#2	Market power: sources and measurements; Maintaining Market Power; Dominant firm with competitive fringe	PS#1 due Friday @ 5p.m.
4. September 16	Ch. 19 pp 631-648	Ch. 6	Antitrust and public policy; Game theory: foundations and principles	
5. September 23	Ch. 6	Ch. 6  Post PS#3	Static games of complete information  Static Oligopoly: Cournot vs Bertrand	PS#2 due Friday @ 5p.m.
6. September 30	Ch. 6	Ch 6.	Dynamic games of complete information	
7. October 7	Ch 5.  Ch 11 pp379-386	Ch. 5  Ch 11 pp379-386 Post PS#4	Collusions and Cartels	PS#3 due Friday @ 5p.m.
8. October 14	Ch. 7	Ch. 7	Product Differentiation	
9. October 21		  Handout PS#5	Horizontal Mergers	PS#4 due Friday @ 5p.m.
10. October 28	Ch. 12	Ch. 12	Vertical Mergers and Restraints	

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11. November 4	Ch. 11	Ch. 11  Handout PS#6	Predatory Pricing	PS#5 due Friday @ 5p.m.
12. November 11	Ch. 11	Ch. 11	Strategic Behavior	
13. November 18	Ch. 11	Ch. 11  Handout PS#7	Entry Deterrence	PS#6 due Friday @ 5p.m.
14. November 25	Ch. 14	No class: Thanksgiving	Advertising	
16. December 2	Ch. 14		Advertising  TBD	PS#7 due Friday @ 5p.m.
17. December 9		Final Exam: 1:00- 3:45 p.m.	TBD	

**Student Code of Conduct**

As with all members of the University community, the University requires students to conduct themselves honestly and responsibly, and to respect the rights of others. Conduct that unreasonably interferes with the learning environment or that violates the rights of others is prohibited by the standards and guidelines collectively described as the Student Code of Conduct. For more information, refer to Student Rights, Freedoms, and Responsibilities section in the *UAA Fact Finder/Student Handbook* <http://www.uaa.alaska.edu/studentaffairs/fact-finder.cfm> or Chapter 7 Academic Standards and Regulations in the UAA catalog <http://www.uaa.alaska.edu/records/catalogs/catalogs.cfm>.

**Academic Honesty**

Academic integrity is a basic principle, which requires that students take credit only for ideas and efforts that are their own. Cheating, plagiarism, and other forms of academic dishonesty are defined as the submission of materials in assignments, exams, or other academic work that is based on sources prohibited by the faculty member. Plagiarism in written work will result in a class grade of F. Plagiarism includes: (i) stealing or passing off the ideas or words of another as one's own, (ii) using another's production without crediting the source, and (iii) to present as new and original an idea derived from an existing source. In addition to any adverse academic action, which may result from engaging in academically dishonest behavior, the university specifically reserves the right to address and sanction

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the conduct involved through the student judicial review procedures outlined in the *UAA Fact Finder/Student Handbook*.

Additional information on plagiarism is located on the UAA Library website:

<http://www.consortiumlibrary.org/blogs/ahi/plagiarism/>

### **Disability Support Services**

Disability Support Services (DSS) coordinates academic support services for students who experience disabilities. To access support services, students should contact DSS and provide current disability documentation. Additional information may be accessed at the DSS Office in Rasmuson Hall (RH105) or on-line at [www.uaa.alaska.edu/dss](http://www.uaa.alaska.edu/dss). Services include, but are not limited to, American Sign Language interpreters, note-taking assistance, testing adjustments, ergonomic furniture, textbooks in alternate formats (e.g., large print, audio, e-text, etc.), and access to adaptive technology. DSS also serves as a resource for the community, facilitating workshops and awareness-building events, and maintaining an extensive lending library.

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