ECONOMICS 424: ORGANIZATION OF INDUSTRIES
SYLLABUS & OUTLINE

Co-Instructors:
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Materials: Text: *Modern Industrial Organization*, 4/E, Dennis W. Carlton, University of Chicago, Jeffrey M. Perloff, University of California, Berkeley, Addison Wesley. Any edition of this book is acceptable. We personally prefer the 2nd edition. It is also valuable for you to have a good intermediate micro text.

There is a lot of material posted on Maloney's website including notes, a provisional text, antitrust cases, sample questions, and other class materials. The website is updated on a systematic basis. This website is the primary information site for this class.

Grades: There will be 7-9 short papers and one longer essay. The short papers should be around 800 words. The longer paper should be around 5000 words. There will be a mid-term exam comprised of several short essay questions. There will also be a final examination comprised of short essays. The short papers and midterm cumulatively count 50% of your grade. The longer paper and the final each count 25%. Class presentation and discussion of your ideas counts for extra credit. The list of short essays is given below. There is a list of ideas for the longer paper on Maloney's website.

General: We will exchange material in this class using e-mail and the internet. Lecture notes will be posted/updated on the web site. We will send information on the assignments, selected reading material, and addenda to the notes to you via e-mail. The written material that you do should be sent to both Maloney and Stoianovici by e-mail as well.

Attendance: There is no formal attendance policy. However, you should come to class. Courtesy requires that you inform one of us when you are not coming. An e-mail is sufficient. Class participation matters.

Office Hours: By appointment.
Maloney: I am in my office a lot. Generally, I am in by 7a everyday. I usually exercise around 11 everyday. I like to prepare for my classes on class days from 1p on. Any other time that you find me, I am at your service. Call or e-mail me to set up an appointment, or just drop by.

Stoianovici: Tuesdays, 3-5p.

Outline:

I. INTRODUCTION AND THEORY
    1. Overview
    2. The Firm and Costs
II. MARKET STRUCTURES
    3. Competition
    4. Monopolies, Monopsonies, and Dominant Firms
    5. Cartels: Oligopoly Joint Decision Making
    6. Non-cooperative Oligopoly
    7. Product Differentiation and Monopolistic Competition
    8. Industry Structure and Performance
III. BUSINESS PRACTICES: STRATEGIES AND CONDUCT
    9. Price Discrimination
    10. Advanced Topics in Pricing
    11. Strategic Behavior
    12. Vertical Integration and Vertical Restrictions
IV. INFORMATION, ADVERTISING, AND DISCLOSURE
    13. Information
    14. Advertising and Disclosure
V. DYNAMIC MODELS AND MARKET CLEARING
    15. Decision Making Over Time: Durability
    16. Patents and Technological Change
    17. How Markets Clear: Theory and Fact
VI. GOVERNMENT POLICIES AND THEIR EFFECTS
    18. International Trade
    19. Antitrust Laws and Policy
    20. Regulation and Deregulation

Short Essay Assignments:

- Each assignment is to be turned in via email (no exceptions—whatever problems come up, solve them). Weekly assignments are due at 9am Wednesdays except for holidays. Assignments received late may or may not be graded.
- Assignments must be submitted in a Word compatible format. That is, we must be able to open them effectively using Word.
- Each assignment must have your name in the document. If we print it and it does not contain your name, you will not get credit.
- Single space. Use 12 point Times Roman font. Turn on page numbering.
- Short essays should be around 800 words, which is the standard length of a newspaper op. ed. (opposite the editorial page). You should submit your work to newspapers after you receive and respond to comments.

Assignments and Dates:

First assignment: Discuss the economics of plagiarism. Can you put plagiarism in a demand and supply context? Who wins, who loses, who cares, who should care? I don't want platitudes. I want science. Think about it like this: How much of the time that I spend teaching this class should be devoted to policing plagiarism? Due: 9a, August 29.

Second assignment: Find out what "payday" lending is all about and discuss the pro's and con's of legally prohibiting it. A story in the WSJ suggested that payday lenders preyed on the military. If you like, you can focus on this particular point. Due: 9a, September 5.

Third assignment: Write an essay on immigration into the United States. Discuss the economic impact on the average indigenous person. While many times this issue turns to welfare and social services, I am more interested in the pure labor supply effect. An increase in the labor supply must lower wages, but it also has to raise the value of capital, land, and labor of the type not supplied by these immigrants. Are more people a bad thing? If the population of the United States goes to 400 million, are we worse off? As a thought experiment, ask yourself, is the average person worse off when someone has a baby? It is ok to mix in some discussion of welfare, social costs, and language issues if you feel compelled. Due: 9a, September 12.

Fourth assignment: Do a survey of the churches in Pickens Co. How do they vary in size and location? Why are there so many? Due: 9a, September 19.

Fifth assignment: Several years ago, the Clemson city council banned Wal-Mart from building a store on the outskirts of town. Subsequently, Wal-Mart built a store on the outskirts of Central. What are the economics of allowing Wal-Mart to locate a store in a community? Who wins, who loses, why did Clemson ban Wal-Mart and Central accept it? Due: 9a, September 26.

Sixth assignment: Several years ago executives of the Archer Daniels Midlands company were convicted of price fixing. A high ranking official of the company went to jail. Research the details of this case. Concentrate on the following: (1) What evidence did the government have that price fixing was going on? (2) If price fixing was occurring, how did it happen? (3) If price fixing was occurring, how was it uncovered? (4) If price fixing was occurring, what effect did it have on market price (of what goods)? Construct an estimate of the cost of price fixing to the consumer. Also estimate the dead-weight loss in consumer surplus. (5) Is it possible based on this case that laws against price fixing are unnecessary? Due: 9a, October 3.

Seventh assignment: Discuss the economic efficiency of discount pricing (of nearly everything) to old people. Expand the discussion to the economic efficiency of discount pricing in general (e.g., airlines discount early reservations). Due: 9a, October 10.

Eight assignment: Parking at universities is always contentious. Let's put aside most of the most contentious parts (why students are not allowed to compete against faculty for the best parking). Let's focus on what seems to me to be the most absurd. Why do they tow people after they receive *and pay* a given number of tickets? It appears that the magic number is nine. Wouldn't a rational scheme allow people to continue to park legally or illegally so long as they pay the

associated fines? It seems reasonable to me that fines might escalate as the number of offenses grows. This makes some sense to me if the university were trying to collect the maximum revenue from the people who value parking illegally. Does that make sense to you? What rational explanation can be given for not allowing people to park illegally if they pay their fines? Discuss these points. Due: 9a, October 17.

Ninth assignment: What are the pro's and con's of re-importation of prescription drugs. Due: 9a, October 24.

Midterm: Assigned, October 24. Due 9a, October 31.

Term Paper: Presentation draft due 9a, November 14. Final draft due 9a, December 14.