

Industrial Organization
ECO4934
Summer B 2017 Syllabus

Course Information

Class Meeting: M, T, & W 11:00 am - 1:45pm; TH 11:00 am - 12:15pm

Classroom: HVNR 240.

Instructor: Dr. Wenche Wang, wangwc121@ufl.edu.

Office Hours: M & W 3pm - 4:30pm; other times may be available by appointment.

Office Hour Location: E261 UF Informatics Institute (enter through E251 next to the Marston Science Library)

Course Description

Industrial Organization is a branch of microeconomics that studies a wide range of issues including market competition, regulation, antitrust, and firms' strategic behavior. It examines the interactions between different firms as well as the interactions between firms and consumers.

This course will provide a survey of economics issues in Industrial Organization with the goal to understand the different forms of market structures and learn to make economic decisions. The first half of the course will provide a review on market structures, including models on perfect competition, monopoly, monopolistic competition, and oligopoly. It will also introduce the measurement of market concentration and discuss competition issues, such as cartels and mergers. The second half of the course will move to firms' strategic behaviors. It will discuss topics such as price discrimination, product differentiation, and advertising. The course will conclude with a brief discussion on two-sided markets.

This course involves both theoretical examination and surveys of real world economics. Therefore, while there will be lectures, students are also expected to analyze real world scenarios and participate in case studies.

Prerequisites

ECO 2013 Principles of Macroeconomics

ECO 2023 Principles of Microeconomics

Textbook

No textbook is required for this class. The following textbooks are recommended if you would like to do further reading on the material.

- *Modern Industrial Organization*, by Dennis W. Carlton and Jeffrey M. Perloff, Pearson; 4 edition. ISBN: 978-0321180230

- *Industrial Organization, Theory and Applications* by Oz Shy, MIT Press, 1996. ISBN: 9780262691796
E-book is available through UF library

Attendance Policy

Attendance is mandatory in this class. You must notify me at least two days in advance for excused absences, such as doctor's appointments and job interviews.

Classroom Policy

- Talking in class constitutes class disruption. You are welcome to raise questions regarding class materials but other discussion is not allowed.
- Please switch your cell phone to Do-not-disturb/Silent mode to avoid distracting the instructor and other students.
- Most of the lectures do not require laptops. There are, occasional class periods that you will participate in discussions and games on Canvas in class. I will notify you to bring laptops at least one day before.
- Students with disabilities who require accommodations should contact me early in the semester to discuss individual needs.
- Please check your e-mail regularly for any announcements.

Academic Honesty

Academic dishonesty (such as plagiarism and cheating on exams) will be referred to Student Conduct and Conflict Resolution and may result in a failing grade in the course. Further penalties can also be assessed by Student Conduct and Conflict Resolution.

Grading Policy and Scale

Your grade is determined by your performance in homework assignments, exams, and projects.

- ***Homework***
You will be given four homework assignments. Discussion is encouraged and you can turn in answers in a group of no more than four students. Homework assignments are collected at the beginning of the class period. No late submission is accepted. The written homework are graded by correctness rather than completion. There will also be a number of multiple choice questions on Canvas. These problems are optional but you will receive extra credit toward your homework grade if you answer them correctly.
- ***Exams***
There will be a midterm exam and a final exam. The midterm exam covers the first half of the course and the final exam covers the second half. If for any reason you are not able to take the exam at the scheduled time, you must notify me at least one week before exam time.

- **Group Projects**

There will be two written projects and one presentation for this class. The first written project involves a survey of literature and the second involves a case study. You will also be required to present your two written reports in the last week of class.

Scale	
Homework	20%
Midterm Exam	20%
Final Exam	20%
Group Project 1	15%
Group Project 2	15%
Group Project Presentation	10%

90-100	A
87-90	B+
80-87	B
77-80	C+
70-77	C
67-70	D+
60-67	D
0-60	E

Project

Both projects should be conducted in groups. Please sign up for groups on Canvas in the first week of class. You may be assigned a group if you do not sign up by 5pm, Friday, June 30th. You may not change groups after this deadline.

- **Project 1**

In this project, you will review 4 research papers and write a summary report. Nine topics are available for groups to select from. The topics and relevant papers are available on Canvas under the “Files” tab. Each group will choose a topic on a first come first serve basis. All topic selection needs to be finalized by 5pm, Monday, July 3rd, or your group will be assigned an available topic randomly. The summary report should consist of the following parts:

1. Introduction – Provide an overview of the topics discussed in the articles. This section should be no more than two paragraphs.
2. Review of literature – In each paragraph, summarize the research question, the market(s) or product(s) that is studied in each paper along with its findings. Don’t focus on the theoretical modelings or empirical strategies in the papers. Instead, you only need to identify the research questions, research findings, and understand their economic interpretations.
3. Discussion – Provide your own thoughts on the research papers, their contributions, potential weakness, and any future work that can be done. For future extension, you

only need to provide one idea which may only directly relate to one of the papers.

You will need to provide a specific research question, rather than a general research topic. For example, rather than stating that you would like to study the effect of advertising on sales, you will need to specify what type of products you are going to study, what kind of advertisement you are looking at (TV, newspaper, etc.), how to measure sales (e.g. aggregate sales, daily sales, monthly sales, etc.), and where you could possibly find data (online data, survey data, inquiry at individual seller, etc.).

Use one paragraph to discuss the contributions and weakness of the papers you reviewed and a separate paragraph on future work.

4. Concluding remark – Briefly summarize the previous three sections.
5. Reference – Use the APA formatting to reference the papers you reviewed and any other papers you cite in the report.

Your written report should be at least 4 pages but no more than 8 pages long (double spaced). Submit your project on Canvas by the deadline. No late submission will be accepted.

- **Project 2**

In this project, you will examine a case related to the topic you reviewed for project 1. The cases are listed in this syllabus. You will research the case through related news reports, official documents, or relevant documentaries. You will examine the case and discuss its economic reasoning. In the written report, you need to include the following sections:

1. Case Summary – In two to three paragraphs, summarize the background of the case and its development.
2. Economic Logic – Use the economic model(s) you studied in this class to discuss the economic reasoning of the case.
3. Discussion – Provide your thoughts and opinions on the case and discuss its effects on the relevant firms and/or consumers as well as its policy implication.
4. Reference – Reference any news articles and research papers that you cite using the APA format.

Your written report should be at least 3 pages but no more than 5 pages long (double spaced). Submit your project on Canvas by the deadline. No late submission will be accepted.

- **Group Presentation**

Your presentation should combine your work in project 1 and project 2 and therefore should include the following two parts:

1. Review of Literature
 - (a) Start with an overview of the topics you studied.
 - (b) In each slide, review each of the research papers and discuss their contributions and potential weakness.
 - (c) Discuss your future research idea.
2. Case Study
 - (a) Summarize the case.
 - (b) Examine the case with economic modeling and reasoning.
 - (c) Provide a discussion on the case and its economic implications.

Cases

Below are the cases associated with each topic for project 2.

1. Advertising

- Nike's sponsorship contracts with athletes and celebrities (You may select one sponsorship contract and discuss its impact or you may summarize the history of Nike sponsorship deals.)

2. Cartel and Collusion

- Collusion among elevator producers Kone, ThyssenKrupp, Schindler Holding, Otis, and Mitsubishi Elevator Europe in the E.U.

3. Entry and Entry Deterrence

- Protests against Costa Coffee's proposed entry in small towns in the U.K.

4. Information Asymmetry

- Movie trailers (You may survey the development of movie trailers or pick an influential one to discuss the economic of information behind it.)

5. Merger and Acquisition

- Amazon's purchase of Whole Foods

6. Price Discrimination

- Pricing at wholesale clubs such as Costco and Sam's Club

7. Product Quality

- Qatar Airways was voted the Worlds Best Airline in 2017 by SKYTRAX.

8. Product Variety

- Starbucks' product variety– allow consumers to customize their drinks.

9. Two-sided Market

- Uber as a two-sided market

If you have any question about the expectation on the study of each individual case, you are welcome to discuss with me.

Calendar (tentative)

Dates	Topics	Assignment	Project
Jun 26	Introduction Theory of Firms and Cost		
Jun 27	Perfect Competition, Monopoly		
Jun 28	Monopolistic Competition, Oligopoly		
Jun 29	Entry and Entry Deterrence		
Jul 3	Cartels and Collusion		
Jul 4	No Class		
Jul 5	Market Concentration, Herfindahl-Hirschman Index	<i>Homework 1</i>	
Jul 6	Merger		
Jul 10	Merger (continued)	<i>Homework 2</i>	
Jul 11	Competition Policy, Summary and Review		
Jul 12	Midterm		
Jul 13	Price Discrimination		
Jul 17	Price Discrimination (continued)		<i>Project 1</i>
Jul 18	Horizontal Product Differentiation		
Jul 19	Vertical Product Differentiation		
Jul 20	Service Quality		
Jul 24	Information The market for “lemons”	<i>Homework 3</i>	
Jul 25	Advertising		
Jul 26	Two-Sided Markets		
Jul 27	Case Study – Amazon		
Jul 31	Presentation	<i>Homework 4</i>	
Aug 1	Presentation		
Aug 2	Review		<i>Project 2</i>
Aug 3	Final Exam		