



# ECON 348: Industrial Organization

Professor Clara E. Jace (jace@cua.edu)

Spring 2021

**Credit hours:** 3

**Prerequisites:** It is assumed that the student has taken Microeconomics. The student should be comfortable with applying basic calculus and have a rudimentary knowledge of game theory.

**Class schedule:** Monday, 5:30-8:00pm (Caldwell 121)

**Office hours:** Monday at 4pm

## 1 Course Description

This course focuses on firm behavior, primarily that of the modern large firm. Topics include both the neoclassical and managerial theories of the firm, oligopolistic pricing, mergers, vertical and horizontal relationships, advertising, research and development, as well as an analysis of the structure, conduct and performance of selected industries.

Some of the questions we will try to answer: Why do firms exist? What influences the structure of a firm? How do firms set their budgets and prices? Why do different industries have different firm structures? What are the effects of various regulations on firm behavior? How do firms relate to other organizations in society?

## 2 Course and Student Goals

At the end of the course, students should be able to:

- Explain why firms exist

- Identify patterns of industrial organization and the various types of firms
- Be familiar with key models of firm structure and relationships
- Understand how property rights and transaction costs shape the firm
- Apply theories of the firm to other organizations in society

### 3 Required Texts

The following books are required for this course:

1. Cabral, Luis. (2000). *Introduction to Industrial Organization*. The MIT Press.
2. Allen, Douglas and Lueck, Dean. (2003). *The Nature of the Firm*. The MIT Press.

All other readings are linked on the syllabus.

### 4 Course Requirements

The final grade for this course will be based on the following items and corresponding weights:

Assignment	Weight
Midterm Exam	40%
Reaction Papers	20%
Research Paper	30%
Research Presentation	10%

- **Reaction papers:** Before midnight each Sunday (so I can read them prior to our class), I ask that you submit a 1-page paper through Blackboard on the readings that we will cover in class that week. These papers may discuss topics that stood out to you, provide a summary of the readings, or especially, contain questions that arise. Late assignments will not be accepted.
- **Research presentation:** This will be a 10min. presentation in class including a handout for the audience. It will summarize your research paper and connect it with topics we discussed in the course.
- **Research paper:** This will be a 10 page paper turned in at the end of the semester, in lieu of a final exam. Detailed options and instructions will be sent out the second week of class.

You are expected to participate in every class. Students who do miss an occasional class are responsible for getting the notes and finding out what they missed, including any pertinent announcements and/or homework assignments.

## 5 Academic Policies

### 5.1 Academic Honesty

The university's policies and procedures for academic integrity may be found here:

<http://policies.cua.edu/academicundergrad/integrityfull.cfm>

<http://policies.cua.edu/academicundergrad/integrityprocedures.cfm>

The policy states: "The following are the major categories of academic dishonesty:

A. Plagiarism is the act of presenting the work or methodology of another as if it were one's own. It includes quoting, paraphrasing, summarizing or utilizing the published work of others without proper acknowledgment, and, where appropriate, quotation marks. Most frequently, it involves the unacknowledged use of published books or articles in periodicals, magazines, newspapers and electronic media. However, any unacknowledged use of another's words, ideas or electronic processes constitutes plagiarism, including the use of papers written by other students, oral presentations, interviews, radio or TV broadcasts, any published or unpublished materials (including Web-based materials, letters, pamphlets, leaflets, notes or other electronic or print documents), and any unauthorized or inadequately credited use of foreign language, scientific and/or mathematical calculation and/or modeling programs or online services.

B. Improper use of one's own work is the unauthorized act of submitting work for a course that includes work done for previous courses and/or projects as though the work in question were newly done for the present course/project.

C. Fabrication is the act of artificially contriving or making up material, data or other information and submitting this as fact.

D. Cheating is the act of deceiving, which includes such acts as receiving or communicating or receiving information from another during an examination, looking at another's examination (during the exam), using notes when prohibited during examinations, using electronic equipment to receive or communicate information during examinations, using any unauthorized electronic equipment during examinations, obtaining information about the questions or answers for an examination prior to the administering of the examination or whatever else is deemed contrary to the rules of fairness, including special rules designated by the professor in the course.

E. Attempts to engage in any of the conduct described above or the facilitation of any of this conduct by another individual will be treated as conduct constituting academic dishonesty for purposes of this policy."

## 5.2 Make-Up Policy

Students will not be allowed to take an exam in advance of its scheduled date. A student who misses a test will be allowed to write a make-up test only if s/he provides a relevant medical certificate. Late assignments will not be accepted, no extensions are granted.

## 5.3 Campus Resources for Student Support

Any student who feels she/he may need an accommodation based on the impact of a disability should contact the instructor privately to discuss specific needs. Please contact Disability Support Services (202-319-5211, Room 207 Pryzbyla Center) to coordinate reasonable accommodations for students with documented disabilities. To read about the services and policies, please visit the website: <http://disabilitysupport.cua.edu>.

## 6 Health Protocol

In the event of my becoming ill, the weekly course readings and Blackboard paper submissions will continue as planned. All lecture slides will be posted online before the first day of the course, so students will be able to access them as needed. Insofar as I am able, I will continue discussion for the course virtually. If I do become too sick to teach the material in any meaningful way, online lectures will be assigned to substitute and grades will be assessed with an awareness of this fact.

## 7 Assessment

The grading applied to this class is as follows:

A: 96-100	C+: 71-75
A-: 91-95	C: 66-70
B+: 90-86	C-: 60-65
B: 81-85	D: 55-59
B-: 76-80	F: 54-0

## Course Outline and Readings

Week	Dates and Topics	Readings for the Week
1	<b>Jan. 25 (online):</b> What is Industrial Organization?	<ul style="list-style-type: none"> <li>• Ch. 1 and 2 (Cabral)</li> </ul>
2	<b>Feb. 1 (online):</b> What is a Firm?	<ul style="list-style-type: none"> <li>• Ch. 3 (Cabral)</li> <li>• The Nature of the Firm (Coase 1937)</li> </ul>
3	<b>Feb. 8:</b> Competition & Monopoly	<ul style="list-style-type: none"> <li>• Ch. 5 and 6 (Cabral)</li> <li>• “Competition is (Still) a Tough Weed” (Rouanet 2020)</li> </ul>
4	<b>Feb. 15:</b> Oligopoly	<ul style="list-style-type: none"> <li>• Ch. 7 and 8 (Cabral)</li> <li>• “Towards a Theory of Property Rights” (Demsetz 1967)</li> </ul>
5	<b>Feb. 22:</b> Pricing Strategies	<ul style="list-style-type: none"> <li>• Ch. 10 (Cabral)</li> <li>• “The Pope and the Price of Fish” (Bell 1968) <ul style="list-style-type: none"> <li>• “The Auction Solution to Airline Overbooking” (Simon and Visvabhanathy 1977)</li> </ul> </li> </ul>
6	<b>Mar. 1:</b> Contracting	<ul style="list-style-type: none"> <li>• Ch. 1, 2, and 3 (Allen and Lueck)</li> <li>• “The Fable of the Bees” (Cheung 1973)</li> </ul>
	<b>Mar. 8:</b> Midterm	
7	<b>Mar. 15:</b> Product Differentiation	<ul style="list-style-type: none"> <li>• Ch. 12 (Cabral)</li> <li>• “Product Differentiation and Economic Progress” (Holcombe 2009)</li> </ul>

		<ul style="list-style-type: none"> <li>• “De Gustibus Non Est Disputandum” (Stigler and Becker 1977)</li> </ul>
8	<b>Mar. 22:</b> Advertising	<ul style="list-style-type: none"> <li>• Ch. 13 (Cabral)</li> <li>• “The Economics of Information” (Stigler 1961)</li> </ul>
9	<b>Mar. 29:</b> Entry & Exit	<ul style="list-style-type: none"> <li>• Ch. 14 and 15 (Cabral)</li> <li>• “Creative Destruction” (Alm and Cox)</li> </ul>
10	<b>Apr. 5:</b> Research & Development	<ul style="list-style-type: none"> <li>• Ch. 16 (Cabral)</li> <li>• The Firm as an Incentive System (Holmstrom and Milgrom 1994)</li> </ul>
11	<b>Apr. 12:</b> Networks & HR	<ul style="list-style-type: none"> <li>• Ch. 17 (Cabral)</li> <li>• Personnel Economics: The Economist’s View of Human Resources (Lazear and Shaw 2007)</li> <li>• Deadline for paper detailed outline</li> </ul>
12	<b>Apr. 19:</b> The Gig Economy	<ul style="list-style-type: none"> <li>• Measurement Cost and the Organization of Markets (Barzel 1982)</li> <li>• The Impact of COVID-19 Gender Equality (Alon et al. 2020)</li> </ul>
13	<b>Apr. 26:</b> Presentations of research projects	
14	<b>May. 3:</b> No class (administrative Monday)	<ul style="list-style-type: none"> <li>• Research projects due by midnight on May 4</li> </ul>
<b>May 4 – May 8:</b> Final Exams		

