

ECO 310Y

INDUSTRIAL ORGANIZATION AND PUBLIC POLICY

UNIVERSITY OF TORONTO
DEPARTMENT OF ECONOMICS
SUMMER 2012

Course Instructor: Dimitri Dimitropoulos
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Lecture: Tuesday and Thursdays, 11:00am - 1:00pm. MP 137.

Tutorials: Tuesday and Thursdays, 1:00 - 2:00pm. MP 137.

Office Hours: Tuesday and Thursdays, 1:00 - 3:00pm

COURSE DESCRIPTION

Industrial Organization (IO) is the field of economics that is concerned with the structure of markets and the behavior of firms in these markets. This course will study the goals, strategies and decision making processes of large firms in imperfectly competitive markets, as well as the resulting economic outcomes. Particular emphasis is placed on the interdependence in the decisions of firms operating in a market. We will look at how real-world markets work, how firms compete or collude with each other, and how these interactions determine market structure, firms' performance, and social welfare. The role of Antitrust policy is discussed throughout the course. The first three-quarters of the course stress a basic understanding of IO theory, including extensions and modern developments. The last quarter of the course will provide an introduction to the field of New Empirical IO.

Prerequisites: ECO200Y1/ECO204Y1/ECO206Y1. ECO220Y1/ECO227Y1 or equivalents.

Note: It is the student's responsibility to ensure they have met the prerequisites for this course.

MEETINGS

We will be meeting twice each week, with two hours of lectures scheduled for each meeting: Tuesdays and Thursdays from 11:00am - 1:00pm. Lectures will be held at MP 137. Lectures most often consists of lecture slide presentations with participation opportunities. You may visit the course website, print out the lecture slides, and bring them to class. Note: lecture slides are not a substitute for lecture notes.

Periodically, there will be a one-hour tutorial session following lecture, from 1:00 - 2:00pm, held in the same location as lecture. Tutorials are lead by the TA, and will be used to go over examples from lecture, and for test/exam review sessions. Tutorial material will be posted on the course website as we proceed.

EVALUATION

There are two main components to the graded course work: 3 term tests, and a final exam.

Each (non-cumulative) term test is worth 20% of the course grade. Tests are 90 minutes in duration, and will take place during regularly scheduled lecture-time, but not in the same room as lecture, on the following dates:

- Test #1: Thursday June 7. Location TBA.
- Test #2: Thursday June 28. Location TBA.
- Test #3: Thursday July 26. Location TBA.

The final exam is cumulative, and worth 40% of the course grade. The exam will be offered during the August examination period at the end of the summer, and will be scheduled by the Faculty of Arts & Science.

Note: If a student is ill for a term-test, the student must provide me with a copy of a University of Toronto Medical Certificate. Once the appropriate documentation is submitted, the student will have the weight of the missed test deferred to the final exam. Students will be granted accommodation for at most one missed term test. Students who miss two or more tests will receive a grade of zero, and will be advised to drop the course on medical grounds.

COURSE MATERIAL

The required textbooks for this course, which are both available freely on-line, are:

- Church, Jeffrey and Roger Ware (2000). *Industrial Organization: A Strategic Approach*. Irwin, McGraw-Hill. Available at: http://works.bepress.com/jeffrey_church/23/
- Aguirregabiria, V. (2012). *Empirical Industrial Organization: Models, Methods, and Applications*. Manuscript. Available at: http://www.aguirregabiria.org/barcelona/book_dynamic_io.pdf

WEBSITE

The course web-site is accessible through <http://dimitrid.webs.com/eco310.htm>. I will use the course web-site as a means of communication with the class, so I recommend you check the announcements regularly. In addition, I will periodically post the lecture slides online. Some of the on-line material will be password protected; I will announce the course password during the first lecture.

E – MAIL POLICY

Use e-mails for appointments, administrative matters or urgent issues. Questions about the course, lectures and tutorial material, etc., are more appropriate for office hours. I will normally reply to e-mails within 24 hours. You must use your UofT e-mail address, and include the course number "ECO 310" in the subject line, otherwise your e-mail may be automatically quarantined as "junk e-mail".

ACADEMIC CONDUCT

It is the responsibility of the students to know and understand the provisions of the University of Toronto's Code of Behavior on Academic Matters. (<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>). All cases of suspected academic misconduct will be referred to the Dean's office.

LECTURE SCHEDULE

The following is a tentative schedule of lecture topics, with applicable references listed below. Note: Course requirements are subject to change. In any case, I will inform students of changes during class time and on the course website. It is the responsibility of the student to be aware of any changes.

• Lecture 0. T-May-15	Introduction to the Course	Church & Ware Chp 1
• Lecture 1. T-May-15	Review of Demand	
• Lecture 2. R-May-17	Theory of the Firm	Church & Ware Chp 3
• Lecture 3. T-May-22	The Perfect Competition Benchmark	Church & Ware Chp 2
• Lecture 4. R-May-24	Monopoly: Basic Theory	Church & Ware Chp 2 & 4
• Lecture 5. T-May-29	Monopoly: Price Discrimination (I)	Church & Ware Chp 5
• Lecture 6. R-May-31	Monopoly: Price Discrimination (II)	Church & Ware Chp 5
• Lecture 7. T-Jun-5	Monopoly: Product Selection	Hand-Out
• Thursday June 7	Term Test #1 - Covers Lectures 1 to 6	Location TBA
• Lecture 8. R-Jun-7	Monopoly: Advertising (following TT1)	Hand-Out
• Lecture 9. T-Jun-12	Game Theory (I)	Church & Ware Chp 7
• Lecture 10. R-Jun-14	Oligopoly: Cournot Quantity Competition	Church & Ware Chp 8
• Lecture 11. T-Jun-19	Oligopoly: Bertrand Price Competition	Church & Ware Chp 8
• Lecture 12. R-Jun-21	Oligopoly: Competition with Differentiated Products	Church & Ware Chp 11
• No Lecture: T-Jun-26	June Exam Period	
• Thursday June 28	Term Test #2 - Covers Lectures 7 to 12	Location TBA
• Lecture 13. T-Jul-3	Game Theory (II)	Church & Ware Chp 9
• Lecture 14. R-Jul-5	Dynamic Oligopoly: Collusion	Church & Ware Chp 10
• Lecture 15. T-Jul-10	Dynamic Oligopoly: Stackleberg Competition	Church & Ware Chp 13
• Lecture 16. R-Jul-12	Dynamic Oligopoly: Entry Deterrence	Church & Ware Chp 13 & 14
• Lecture 17. T-Jul-17	Dynamic Oligopoly: Strategic Investment	Church & Ware Chp 14 & 15
• Lecture 18. R-Jul-19	Vertical Contractual Relations	Church & Ware Chp 22
• Lecture 19. T-Jul-24	Structure-Conduct-Performance	Church & Ware Chp 12
• Thursday July 26	Term Test #3 - Covers Lectures 13 to 18	Location TBA
• Lecture 20. R-Jul-26	Intro to New Empirical IO (following TT3)	Hand-Out
• Lecture 21. T-Jul-31	Estimating Demand, Supply and Market Power (I)	Church & Ware Chp 12
• Lecture 22. R-Aug-7	Estimating Demand, Supply and Market Power (II)	
• Lecture 23. T-Aug-7	Estimating Demand for Differentiated Goods	Aguirregabiria Chp 3
• Lecture 24. R-Aug-9	Estimating Static Games of Market Entry	Aguirregabiria Chp 1

TUTORIAL SCHEDULE

The following is a tentative schedule of tutorial dates. Tutorial materials will be posted on the course website as we proceed through the term, usually one week before each tutorials.

• Tutorial 1. R-May-31	Review for Term Test 1
• Tutorial 2. T-Jun-5	Review for Term Test 1
• Tutorial 3. R-Jun-21	Review for Term Test 2
• Tutorial 4. T-Jun-26	Review for Term Test 2
• Tutorial 5. T-Jul-19	Review for Term Test 3
• Tutorial 6. T-Jul-24	Review for Term Test 3
• Tutorial 7. T-Aug-7	Review for Final Exam
• Tutorial 8. R-Aug-9	Review for Final Exam