

University at Albany  
State University of New York

AECO 380 Contemporary Economic Issues  
Topic: Industrial Organization  
Spring 2016

Class number 9404: MWF 11:30AM-12:25PM, BA 130

**Instructor:** Linna Xu

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Office: BA 125C

Office hours: WF 9:15AM-10:15AM or by appointment

TA: Yue Sheng

Office: TBD

Office hours: TBD

**Course Description:**

This course covers major topics in the field of industrial organization, the study of firms in markets. This field focuses on firm behavior in imperfectly competitive markets, which appear to be far more common than the perfectly competitive markets that were the focus of your basic microeconomics course. Topics include the acquisition and use of market power by firms, strategic interactions among firms, anticompetitive strategies and contractual relations between firms. The knowledge that the student will derive from the course is useful not only for academic consideration, but also in private enterprises, including financial and legal institutions; and in state and federal regulatory agencies.

**Prerequisites:**

The prerequisites for this course are Economics 110 and 111. The Economics Department intends to deregister students whose Albany course records do not show that the required courses were completed with passing grades. This may occur as late as the end of the semester, and students will be assigned a W grade by the Registrar. Individual exceptions to the prerequisite requirements require written permission of the instructor and approval by the Director of Undergraduate Studies in Economics during the drop/add period. Economics 300 and some calculus courses are strongly recommended.

**Textbook:**

L. Pepall, D. Richards and G. Norman, *Industrial Organization: Contemporary Theory and Empirical Applications*, 5<sup>th</sup> edition

The lectures will only cover part of the topics in the textbook. You will only be examined on those parts of the text covered in class.

**Requirements and Grading:**

There will be some homework assignments, two midterm exams and a noncumulative final exam. Your overall course grade will consist of a weighted average of point grades on

homeworks and exams.

**There are no sources of extra credit.**

	<u>Percentage of final grade</u>
Homework	25%
Midterm 1	25%
Midterm 2	25%
Final exam	25%

**Policy on Exam Absence:**

All examinations are mandatory. Make-up exams will be given only in accordance with university policy. Absences must be approved by the instructor PRIOR TO THE SCHEDULED EXAM DATE. Unexcused absences will result in a grade of zero.

**Other Policies:**

I will be happy to discuss your exam script with you (after the results have come out) during my office hours. However, the only way to have your score changed is to submit the whole script for a re-grade within one week of the script being returned to you. Re-grades can lead to lower scores. Individual questions will not be regraded, but I will provide specific explanations during office hours.

Academic dishonesty (cheating, plagiarism, etc.) will be referred to the University Judicial Review Board and subject to sanctions and/or failure.

**Course Outline:** (This schedule may change as semester proceeds)

Topics

Pepall Chapters (5<sup>th</sup> Edition)

Part I. Foundations

- |                                      |      |
|--------------------------------------|------|
| 1. Introduction                      | Ch 1 |
| 2. Basic Microeconomics              | Ch 2 |
| 3. Market Structure and Market Power | Ch 3 |
| 4. Technology and Cost               | Ch 4 |

Part II. Market Structure and Monopoly Power

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|---------------------------------|------------|
| 1. Price Discrimination         | Ch 5, Ch 6 |
| 2. Commodity Bundling and Tying | Ch 8       |

Part III. Oligopoly and Strategic Interaction

- |   |       |
|---|-------|
| 1. Static Quantity Competition: The Cournot Model | Ch 9  |
| 2. Static Price Competition: The Bertrand Model   | Ch 10 |
| 3. Dynamic Competition: The Stackelberg Model     | Ch 11 |