Theory of Industrial Structure  
ECO-4371  
Fall, 2006.

Instructor: Santanu Roy, Professor, Department of Economics.

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Course Web-page: http://faculty.smu.edu/sroy/index3.html

Lectures: Tuesdays and Thursdays, 2.00 - 3.20 P.M., Umphrey Lee 303.  
Office Hours: Tuesdays & Thursdays, 3.30 - 4.30 PM & by appointment.

Teaching Assistant: Aditi Sengupta.  
TA’s Office Hours: Mondays and Wednesdays, 3.30 - 4.30 P.M.


Prerequisite:  
ECO 3301 (Price Theory).

Course Description:  
In the last two decades, Industrial Organization has been arguably the most active research field in economics. It began as a branch of applied micro-economics specializing in questions related to imperfect competition, effect of market structure on behavior of firms, concentration & monopoly power, cartel formation, anti-competitive practices and anti-trust issues. The revolution in the field in the last two decades is related to the development of non-cooperative game theory, which allowed economists to study strategic behavior of firms in the market, how this affects and is affected by market structure and more generally, issues related to strategic pricing, advertising, product differentiation, research and development, entry barriers, vertical competition, collusion etc. At the same time, developments in economics of information allowed economists to study strategic competition under incomplete/asymmetric information as well as regulation of monopoly power under informational constraints.
Main topics:
* Theory of Firm.
* Review of welfare loss under monopoly, natural monopoly; Regulation of Monopoly
* Oligopoly: price competition & factors that soften price competition (capacity)
  * Review of basic Cournot competition; asymmetric costs.
  * Collusion & dynamic competition; factors that facilitate collusion
  * Antitrust & competition policy.
  * Product differentiation & price competition; Switching & Search costs.
  * Advertising, market structure & competition
  * Vertical relationships & restraints; anti-competitive effects & policy.
* Entry, Market Structure & Welfare.
* Strategic barriers to Entry, Predation & Merger of Firms.
* Dynamics of R&D Competition & role of public policy in promoting R&D.
* Networks & Standards.

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Rules:
Students are expected to attend all lectures.
If a student misses a lecture it is his/her personal responsibility to find out the material covered in class.
No student should enter the class more than five minutes late.
About four to five home assignments will be given out in the semester and will be due in class on a certain date.
Assignments turned in late will not be accepted unless a valid reason for the delay can be provided and substantiated. Solutions may be handed out, e-mailed or discussed in class.
30% of final grade will be based on performance in home-assignments.
There will be two written exams - one Midterm exam and one Final exam.
The midterm exam will count toward 30% of final grade.
The final exam will count toward 40% of final grade.
The exam schedule will be as follows:
Midterm Exam: Tuesday, October 3, In class.
Final Exam: Thursday, December 7, 8-11 AM.
All exams will be in class and "closed book." The final exam will cover material taught over the entire semester.
If you foresee a conflict with any of the exam dates, please contact the instructor immediately.
No make-up exam will be given except for documented medical reasons or in case there is a conflict with university extracurricular activity. It is the responsibility of the student to schedule a make-up exam with the instructor and to keep the instructor informed about inability to appear in an exam due to university extracurricular activity.
No incomplete grades will be given except in case of a documented medical emergency that prevents a student, who has performed satisfactorily in the midterm exam and in the home assignments, from appearing in the final exam and, in addition, also prevents him/her from taking a makeup exam prior to the deadline for submission of final grades.
It is the responsibility of the student to check the course web-site frequently for updates, announcements & amendments to problem sets & other handouts etc.
Disability Accommodations: Students needing academic accommodations for a disability must first contact Ms. Rebecca Marin, Coordinator, Services for Students with Disabilities (214-768-4557) to verify the disability and establish eligibility for accommodations. They should then schedule an appointment with the professor to make appropriate arrangements. (See University Policy No. 2.4.)
Religious Observance: Religiously observant students wishing to be absent on holidays that require missing class should notify their professors in writing at the beginning of the semester, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence. (See University Policy No. 1.9.)
Excused Absences for University Extracurricular Activities: Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work. (University Undergraduate Catalogue)