ECONOMICS 424: ORGANIZATION OF INDUSTRIES  
SYLLABUS & OUTLINE

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Materials: Text: Modern Industrial Organization, 4/E, Dennis W. Carlton, University of Chicago, Jeffrey M. Perloff, University of California, Berkeley, Addison Wesley. Any edition of this book is acceptable. I personally prefer the 2nd edition. It is also valuable for you to have a good intermediate micro text.

There is a lot of material posted on my website including notes, a provisional text, antitrust cases, sample questions, and other class materials. I will update the website on a systematic basis. My website is the primary information site for this class.

Grades: There will be 7 short papers and one longer essay. The short papers should be around 800 words. The longer paper should be around 5000 words. There will be a mid-term exam comprised of several short essay questions. There will also be a final examination comprised of short essays. The short papers count for one-third of your grade; the mid-term and final together count for one-third; and the longer paper counts for one-third. Class presentation is important. We will discuss the short essay topics in class. You should be prepared to present your ideas orally. Also, everyone is expected to make a brief presentation of the longer paper. The list of short essays is given below. There is a list of ideas for the longer paper on my website.

General: We will exchange material in this class using e-mail and the internet. I will post my lecture notes on my web site. I will send information on the assignments, selected reading material, and addenda to the notes to you via e-mail. The written material that you do should be sent to me by e-mail as well.

Attendance: There is no formal attendance policy. However, you should come to class. Courtesy requires that you inform me when you are not coming. An e-mail is sufficient. Class participation matters.

Office Hours: By appointment. I am in my office a lot. Generally, I am in by 8a everyday. I usually exercise around 11 everyday. I like to prepare for class on Tuesday and Thursday from 2p on. Any other time that you find me, I am at your service. Call or e-mail me to set up an appointment, or just drop by.

Rough Outline:

I. INTRODUCTION AND THEORY
   1. Overview
   2. The Firm and Costs
II. MARKET STRUCTURES
   3. Competition
4. Monopolies, Monopsonies, and Dominant Firms
5. Cartels: Oligopoly Joint Decision Making
6. Non-cooperative Oligopoly
7. Product Differentiation and Monopolistic Competition
8. Industry Structure and Performance

III. BUSINESS PRACTICES: STRATEGIES AND CONDUCT
9. Price Discrimination
10. Advanced Topics in Pricing
11. Strategic Behavior
12. Vertical Integration and Vertical Restrictions

IV. INFORMATION, ADVERTISING, AND DISCLOSURE
13. Information
14. Advertising and Disclosure

V. DYNAMIC MODELS AND MARKET CLEARING
15. Decision Making Over Time: Durability
16. Patents and Technological Change

VI. GOVERNMENT POLICIES AND THEIR EFFECTS
18. International Trade
19. Antitrust Laws and Policy
20. Regulation and Deregulation

Short Essay Assignments:

- Each assignment is to be turned in via email. Please make the first words in the subject line say: “econ 424”. This helps me and Katie keep up with them. Copy both me and Katie.
- Assignments must be submitted in a Word compatible or .pdf format. Please do not send them in .docx format.
- Each assignment must have your name in the document. If we print it and it does not contain your name, you will not get credit. It is also helpful if you put “econ 424” and your name in the file name.
- Single space. Use 12 point Times Roman font. Turn on page numbering.
- Short essays should be around 800 words, which is the standard length of a newspaper op. ed. (opposite the editorial page). You should submit your work to newspapers after you receive and respond to comments. I will pay $50 for every assignment published in the Greenville News or similarly sized paper.

Assignments and Dates:

First assignment: Discuss the economics of plagiarism. Can you put plagiarism in a demand and supply context? Who wins, who loses, who cares, who should care? I don’t want platitudes. I want science. Think about it like this: How much of the time that I spend teaching this class should be devoted to policing plagiarism? Due: 9a, January 14.
Second assignment: Analyze competition among churches. Do big churches bring forth new customers or take customers away from smaller churches, and if the latter, do they take these from the smallest or medium sized competitors. Are there economies of scale in churches. How should this be measured. One way to approach this is to do a survey of the churches in Pickens Co. How do they vary in size and location? Why are there so many? Due: 9a, January 21.

Third assignment: Several years ago executives of the Archer Daniels Midlands company were convicted of price fixing. A high ranking official of the company went to jail. Research the details of this case. Concentrate on the following: (1) What evidence did the government have that price fixing was going on? (2) If price fixing was occurring, how did it happen? (3) If price fixing was occurring, how was it uncovered? (4) If price fixing was occurring, what effect did it have on market price (of what goods)? Construct an estimate of the cost of price fixing to the consumer. Also estimate the dead-weight loss in consumer surplus. (5) Is it possible based on this case that laws against price fixing are unnecessary? Due: 9a, January 28.

Fourth assignment: Several years ago, the Clemson city council banned Wal-Mart from building a store on the outskirts of town. Subsequently, Wal-Mart built a store on the outskirts of Central. What are the economics of allowing Wal-Mart to locate a store in a community? Who wins, who loses, why did Clemson ban Wal-Mart and Central accept it? Due: 9a, February 4.

Fifth assignment: Discuss the economic efficiency of discount pricing (of nearly everything) to old people. Due: 9a, February 11.

Sixth assignment: Find out what “payday” lending is all about and discuss the pro’s and con’s of legally prohibiting it. A story in the WSJ suggested that payday lenders preyed on the military. If you like, you can focus on this particular point. Due: 9a, February 18.

Seventh assignment: What are the pro’s and con’s of internet sales of prescription drugs. Due: 9a, February 25.

Midterm: Assigned, February 27. Due 9a, March 11.