Course Description: Real-world firms often operate in imperfectly competitive markets and engage in behavior not captured by simple economic models. This course analyzes the structure of modern industries and markets, the complex strategies of businesses, the effect of their behavior on economic performance, and the antitrust policies designed to prevent harm to competition. We will draw on micro theory, game theory, statistical evidence, and case studies to develop a comprehensive picture of firms, markets, and competition policy in modern economies.

Readings: There is one required text for this course: Waldman and Jensen, *Industrial Organization: Theory and Practice*, 3rd ed. In addition, we will take a number of readings from three other sources:

- Dixit and Nalebuff, *Thinking Strategically*

Copies of materials from these three sources will be made available to you. Links to other articles are provided on the reading list. You will be expected to do all the readings on the list that follows. The approximate number of class periods for each section are noted in parentheses.

Grading: Grades will be based on the midterm exam, the final, six homeworks, and a short paper. The midterm exam will be on February 19 and cover the material in Sections A and B of your reading list. It will count for 30% of your grade. The final counts for 40%, the homework problem sets for 15%, and the paper (to be described later) for 15%. Note that unexcused absences from exams or tardiness in handing in assignments will result in an F for that grade. In addition, violations of university honor code will be dealt with strictly.

Blackboard: Blackboard will be used to alert you to any changes in schedule, readings, or homework problem sets. Other materials may also be posted there. You will be responsible for all announcements and materials on Blackboard.
READINGS

A. Basic Theory

1. **Competition and Monopoly** (2)
   Waldman-Jensen, ch. 1
   ch. 2, pp. 31-37
   ch. 3, pp. 51-71

2. **Firm and Market Structure** (2)
   Waldman-Jensen, ch. 2, pp. 37-44
   ch. 4, pp. 88-96, 99-110
   Tremblay and Tremblay on brewing, ch. 2 in Tremblay-Tremblay

B. Firm Behavior and Economic Performance

3. **Classical Models of Oligopoly** (2)
   Waldman-Jensen, ch. 8, pp. 230-243, 251-262
   ch. 13, pp. 418-419
   Dixit-Nalebuff, Introduction, ch. 1, ch. 3

4. **Game Theory and Strategic Behavior** (2)
   Waldman-Jensen, ch. 7
   Dixit-Nalebuff, ch. 4

5. **Cartels and Collusive Behavior** (2)
   Waldman-Jensen, ch. 9, pp. 266-289
   Dixit-Nalebuff, ch. 9, pp. 223-231
   Connor on lysine, ch. 10 in Kwoka-White, pp. 252-262

6. **Determinants of Performance** (2)
   Waldman-Jensen, ch. 6, pp.161-188, 195-198
   Morrison on airlines, ch. 1 in Tremblay-Tremblay

C. Strategic Behavior

7. **Dominant Firms and Entry** (2)
   Waldman-Jensen, ch. 4, pp. 96-113
   ch. 5
   ch. 10, pp. 303-311
8. **Strategic Entry Deterrence** (2.5)
   Waldman-Jensen, ch. 11, pp. 335-351
   ch. 12, pp. 372-386, 394-401
   Dixit-Nalebuff, ch. 5, pp. 119-124
   ch. 6, pp. 142-161

9. **Advertising and Product Strategies** (2)
   Cotterill et al on soft drinks, ch. 8 in Tremblay-Tremblay

10. **Price Discrimination** (1.5)
    Waldman-Jensen, ch. 15, pp. 515-542

11. **Policy Toward Mergers** (2.5)
    Waldman-Jensen, ch. 4, pp. 113-129, 132-134
    White on Coke-Dr Pepper, @ www.oup.com/us/antitrustrevolution
    Kwoka-White, pp. 8-25
    Dalkir and Warren-Boulton on Staples, ch. 2 in Kwoka-White

12. **Policy Toward Cooperation and Collusion** (2)
    Waldman-Jensen, ch. 9, pp. 289-298
    ch. 10, pp. 311-315, 326-329
    Kwoka-White, pp. 172-180
    Borenstein on airlines, ch. 9 in Kwoka-White
    Hay on Ethyl, pp. 190-200, @ www.oup.com/us/antitrustrevolution

13. **Policy Toward Predation and Exclusion** (2.5)
    Waldman-Jensen, ch. 3, pp. 73-80
    ch. 11, pp. 351-361
    Burnett on Ligget, @ www.oup.com/us/antitrustrevolution
    Elzinga-Mills on Spirit Airlines, in Kwoka-White, 5th ed.
    Kwoka-White, pp. 180-186
    Rubinfeld on Microsoft, ch. 19 in Kwoka-White