Course Description: Real-world firms often operate in imperfectly competitive markets and engage in behavior not captured by simple micro models. This course analyzes the structure of modern industries, the strategic interactions among firms, the effect of structure and strategy on economic performance, and the antitrust policies that may be necessary to ensure competition. We will draw on micro theory as well as game theory, statistical evidence, and case studies to develop a comprehensive picture of firms, markets, and competition policy.

Pre-requisites: Micro theory and calculus. If you have not had these pre-requisites, you may not take this course. Materials and lectures will presume you have a good grasp of each.

Readings: This course will rely on one text plus a number of readings from other sources. The required text is Waldman and Jensen, Industrial Organization: Theory and Practice, 3rd ed. Copies of non-text materials will be posted on Blackboard except where links appear on the syllabus. These are to be used only for the purpose of this course. All readings are required. Approximate number of class periods are given in parentheses.

Your Responsibility and Mine: You will be expected to do the readings for each class beforehand so that class time can be spent well. In addition, the material is cumulative, so that you will need to stay current. If you cannot meet these expectations, this is the time for you to bow out of this course. My responsibility is to teach you how to think about a market or industry setting in all its complexity, how to analyze firm conduct and performance, and how antitrust policy can be used to correct market problems. At the end of the course you should have the necessary tools to examine a wide array of industrial organization and policy issues.

Grading: Grades will be based on two midterm exams, the final, and several homeworks. The midterm exams will be on February 15 covering Sections 1-5 on the syllabus and on March 22 covering Sections 6-9. Each will count for 25% of your grade. The final counts for 35% and the homework problem sets together for 15%. Unexcused absences from exams or late homework submissions will result in a grade of F for that assignment.

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. The Fundamentals

1. **Market Power** (2)
   Waldman-Jensen, ch. 1, pp. 1-7
   ch. 2, pp. 31-37 (review)
   ch. 3, pp. 51-71

2. **Costs and Concentration** (1.5)
   Waldman-Jensen, ch. 2, pp. 37-44
   ch. 4, pp. 88-96, 99-110
   ch. 12, pp. 386-393
   Tremblay and Tremblay, “Brewing: Games Firms Play” (*TT*, ch. 3)

3. **Market Structure and Performance** (2)
   Waldman-Jensen, ch. 6, pp. 161-188, 195-198
   Morrison, “Airlines Service: The Evolution of Competition Since Deregulation” (*TT*, ch. 1)
   Winston and Morrison, "The Dynamics of Airline Pricing and Competition" (*AER*, 1990)

B. Models of Oligopoly and Collusion

4. **Classical Models of Oligopoly** (2)
   Waldman-Jensen, ch. 8, pp. 230-243, 251-262
   ch. 13, pp. 418-420

5. **Game Theory and Strategic Behavior** (2.5)
   Waldman-Jensen, ch. 7
   Dixit-Nalebuff, ch. 1, 3, 4 (*Thinking Strategically*)
   Scherer, “Gasoline Marketing,” pp.122-133 (*Ind. Str.*, ch. 3)

6. **Repeated Games and Collusion** (1.5)
   Waldman-Jensen, ch. 9, pp. 266-289
   Kwoka, “Price Effects of Bidding Conspiracies” (*AB*, 1997)

C. Strategic Behavior

7. **Dominant Firms and Entry** (2)
   Waldman-Jensen, ch. 4, pp. 96-113
   ch. 5
ch. 10, pp. 303-311
Dixit-Nalebuff, ch. 2
Norton, “General Motors: Lost Dominance” (TT, ch. 10)

8. **STRATEGIC ENTRY DETERRENCE** (2)
   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
   Salop, “Strategic Entry Deterrence” (AER, 1979)

9. **PRODUCT STRATEGIES AND NETWORK EFFECTS** (2.5)
   Weiss et al, “Size of Selling Costs” (REStat, 1983)
   Yin, “TiVo: Product vs. Incumbent Advantage” (TT, ch. 13)
   TBA

D. **Antitrust Policy**

10. **POLICY TOWARD MERGERS** (3)
    Waldman-Jensen, ch. 1, pp. 8-12
    ch. 4, pp. 113-129, 132-134
    Kwoka-White, “Horizontal Structure,” pp. 8-25 (KW, 5/e)
    Dalkir and Warren-Boulton, “Prices, Market Definition and the Effects of Merger: Staples-Office Depot” (KW, 5/e, ch. 7)

11. **POLICY TOWARD COOPERATION AND COLLUSION** (2)
    Waldman-Jensen, ch. 9, pp. 289-298
    ch. 10, pp. 311-315, 326-329
    Hay on Ethyl, pp. 190-200, @ www.oup.com/us/antitrustrevolution (KW, 3/e)

12. **POLICY TOWARD PREDATION AND EXCLUSION** (3)
    Waldman-Jensen, ch. 3, pp. 73-80
    ch. 11, pp. 351-361
    Burnett on Liggett, @ www.oup.com/us/antitrustrevolution (KW, 3/e)
    Elzinga-Mills, “Predatory Pricing in the Airline Industry: Spirit Airlines” (KW, 5/e, ch. 8)
    Waldman and Ruffer, “Microsoft: Who Is Microsoft Today?” (TT, ch. 11)