

Winter 2012  
ECON 670  
Call 24485

The Department of Economics  
The Ohio State University  
Structure Of Industry

Professor Dan Levin  
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**Classes:** Tu, Th, 10:30am - 12:18pm, Room 0395, Watts Hall .

**Office Hours:** Prof. Levin's office hours: Tu, Th, 12:30 - 1:30 PM (Arps 443B) or by appointment.

**Text: (\*)** Dennis Carlton and Jeffrey Perloff, *Modern Industrial Organization*, 2005, 4th Ed.

## COURSE OUTLINE

(All reading references are to chapters in Carlton and Perloff's text)

**Week I.** (January 3). **Introduction:** 1. Course Organization. 2. Overview. 3. Perfect Competition and the Invisible Hand; when and why it works or does not work. [*Assumptions, (Pareto) efficiency, welfare implications. Entry and Exit, Small number of firms and strategic behavior. Economies to scale: a fundamental tension between exploiting scale economies and letting a large cat to watch the milk.*] [Chapters 1, 2, 3 and 4.]

**Week II.** (January 10). **Monopoly:** 1. Simple model of pure and static monopoly. What is all the fuss? 2. Three kinds of static inefficiencies. 3. Monopoly with potential entrants. 4. A model of a dominant firm with a competitive fringe. 4. Other industry models with price setting firms. [Chapters 1, 2, 3 and 4.]

**Week III and IV.** (January 17 & January 24). **Oligopoly:** 1. A very brief introduction to game theory. 2. The Cournot oligopoly model with its Cournot/Nash equilibrium. 3. *Comparative Statics* results; what is nice and not nice about this model? 4. The Stackelberg leader model. 5. Bertrand price competition. 6. Contrasting and connecting the Cournot and Bertrand models. 7. Monopolistic Competition. [Chapters 5, 6 and 11.]

**Week V.** (January 31). **Industry concentration:** 1. Measures and applications (Lerner's Markup measure; concentration ratios; the Herfindahl-Hirschman Index (HHI) and its uses in antitrust policy.) 2. The Structure-Conduct-Performance paradigm. [Chapter 8.]

### Mid-term, Thursday, February 2, 2012.

**Week VI.** (Feb. 7). **Product Differentiation by quality, brand name and location.** [Chapter 7.]

**Week VII.** (Feb. 14). **Price Discrimination:** 1. First-, Second- and Third-degree price Discrimination. 2. Motives, conditions, applications and examples. 3. Welfare analysis. [Chapter 9.]

**Week VIII.** (Feb. 21). **Horizontal Mergers; Vertical Integration and Vertical restrictions.** Motives, conditions, applications and examples. 2. Efficiency and welfare examination. Antitrust policy. [Chapter 12.]

**Week IX.** (Feb 28). **Information:** 1. Markets with incomplete and/or asymmetric information. Consequences in “Lemon” markets; Limit pricing; Predatory pricing. [Chapter 13.]

**Week X.** (March 6). **A brief introduction to Auctions with Private and Common Values.**

1. Auctions Forms. 2. Equilibria of the different auctions; 3. Strategic and Revenue Equivalence in Independent-Private-Value auctions. 4. Behavior in IPV auctions, experimental Evidence; 5. Common-Values Auctions and Adverse Selections. 6. Experimental Evidence and the Winner’s curse.

### **Final Examination, March 14, 2011 (in Class- 1:30-3:30pm)**

You should read the relevant text for each lecture before our meeting at least once. Doing so will enable us to focus on material that is harder and more interesting. Class attendance and participation is strongly recommended. Students who miss classes are still expected to keep up with the information discussed in those classes. There will be 4-6 Problem Sets, one Midterm Exam, and a Final Exam. In our first class we will discuss: The format of the exams and make up policy, grades (roughly: PS. 20%; MT 30%; and FE\* 50%), and how the PS. will be used. The TA for this course is Mr. Yeochang Yoon. Office hours at Arps Hall room # 304, (Tu, Th 5:00~6:00PM), or by appointment. Cell: 614-359-9852 and E-mail: [yoon.250@buckeyemail.osu.edu](mailto:yoon.250@buckeyemail.osu.edu)

I hope you enjoy the course. Good luck.

### **Disability Services**

**Students with disabilities that have been certified by the Office for Disability Services will be appropriately accommodated, and should inform the instructor as soon as possible of their needs. The Office for Disability Services is located in 150 Pomerene Hall, 1760 Neil Avenue; telephone 292-3307, TDD 292-0901; <http://www.ods.ohio-state.edu/asp>.**

### **Academic Misconduct**

**It is the responsibility of the Committee on Academic Misconduct to investigate or establish procedures for the investigation of all reported cases of student academic misconduct. The term “academic misconduct” includes all forms of student academic misconduct wherever committed; illustrated by, but not limited to, cases of plagiarism and dishonest practices in connection with examinations. Instructors shall report all instances of alleged academic misconduct to the committee (Faculty Rule 3335-5-487). For additional information, see the Code of Student Conduct ([http://studentaffairs.osu.edu/resource\\_asc](http://studentaffairs.osu.edu/resource_asc).)**