



Economics 468: Industrial Organization and Imperfect Competition

Canvas Course URL: <https://canvas.wisc.edu/courses/78352>

Meeting Time and Location: Tuesday/Thursday 9:30-10:45 at 228 Educational Sciences

Instructional Mode: All Face-to-Face

Credit Hours: This 4 credit course has two 75 min lectures and a 50 min discussion section per week. Students are expected to work approximately 8 hours outside class to complete assignments and learn the relevant material.

INSTRUCTORS AND TEACHING ASSISTANTS

Instructor Title and Name: Assistant Professor Enghin Atalay

Instructor Availability:

7426 Sewell Social Science.

Office Hours: Monday 9:00 to 10:30 a.m., Tuesday 8:30 to 9:10 a.m., and by appointment.

Instructor Email: eatalay@ssc.wisc.edu

Teaching Assistant: Kohei Iwasaki

TA Office Hours: 1:00 to 3:00 p.m., Thursdays, in 6443 Sewell Social Science.

TA Email: kiwasaki@wisc.edu

OFFICIAL COURSE DESCRIPTION

Course Description An overview of the theory of industrial organization, including the study of oligopolistic behavior, monopolistic competition, product differentiation and the dynamic behavior of competitive industries under uncertainty.

We will cover a sequence of topics on different decisions that firms make (e.g., how to set prices; whether to merge with a competitor; whether to enter a new market; whether to try to dissuade a potential competitor from entering the firm's own market; whether to engage in advertising; etc...). For each topic, I will present models which depict the trade-offs that firms are facing when making these decisions. Then, we will discuss related anti-trust cases, with the

goal of illustrating how the theoretical models have been applied in the real world. Before each class, I will post lecture notes containing the theoretical material, along with handouts (taken from *The Antitrust Casebook: Milestones in Economic Regulation*, a textbook written by William Breit and Kenneth Elzinga) which describe the case studies.

Note: Much of the material in this course is adapted from Ken Hendricks' undergraduate IO course.

Course Outline:

1. Preliminaries
 - Review of competitive markets
 - Welfare measurement
2. Monopoly
 - Theory
 - Antitrust Statutes: Sherman Act, Clayton Act, FTC Act.
3. Game Theory
 - Simultaneous Games
 - Sequential/Repeated Games
4. Oligopoly in Homogenous Good Markets
 - Capacity competition: the Cournot model
 - Price competition: the Bertrand model.
5. Oligopoly in Differentiated Good Markets
 - Differentiated products
 - Location models
6. Cartels and Price Fixing
 - Creating and enforcing cartels
 - Cooperation and repeated play
7. Price Discrimination
 - First, second, and third degree price discrimination
 - Two part tariffs
 - Bundling and tie-in sales
8. Horizontal Mergers
 - Theory
 - Merger guidelines for horizontal mergers
 - Application: FTC vs Coca-Cola Bottling Company.
9. Vertical Integration
 - Double marginalization and exclusion
 - Vertical restraints
10. Entry and Entry Deterrence
11. Advertising
12. Auctions
13. Two-sided platforms (If time permits)

Requisites: Student needs to have taken Econ 301 (or 311) and Math 221 (or 217)

GRADING

- 20% Problem Sets
- 20% Midterm 1: February 22, in class
- 25% Midterm 2: April 5, in class
- 30% Final: May 8, 2:45PM - 4:45PM
- 5% Participation

TEXTBOOK, SOFTWARE & OTHER COURSE MATERIALS

Industrial Organization: Contemporary Theory and Practice, Lynne Pepall, Daniel Richards, and George Norman, Thomson, 4th Edition, 2008.

The 4th edition is close enough to the 3rd and 5th (or later) editions that you should feel free to purchase these other editions if you find that they have a lower price. The book is only recommended, not required. Some of the lectures and course notes will draw on material from the book, but none of the assignments will require purchasing it.

EXAMS, QUIZZES, PAPERS & OTHER MAJOR GRADED WORK

- The three examinations will be in-class, cumulative (though emphasizing material since the previous material), and closed-book.

HOMEWORK & OTHER ASSIGNMENTS

- There will be 11 problem sets. The lowest grade, from the 11, will be dropped.
- Problem sets are due in person at the beginning of class on Tuesdays.

RULES, RIGHTS & RESPONSIBILITIES

- See the Guide's to [Rules, Rights and Responsibilities](#)

ACADEMIC INTEGRITY

By enrolling in this course, each student assumes the responsibilities of an active participant in UW-Madison's community of scholars in which everyone's academic work and behavior are held to the highest academic integrity standards. Academic misconduct compromises the integrity of the university. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these acts are examples of academic misconduct, which can result in disciplinary action. This includes but is not limited to failure on the assignment/course, disciplinary probation, or suspension. Substantial or repeated cases of misconduct will be forwarded to the Office of Student Conduct & Community Standards for additional review. For more information, refer to studentconduct.wiscweb.wisc.edu/academic-integrity/.

ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES

McBurney Disability Resource Center syllabus statement: "The University of WisconsinMadison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and

UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA." <http://mcburney.wisc.edu/facstaffother/faculty/syllabus.php>

DIVERSITY & INCLUSION

Institutional statement on diversity: "Diversity is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals.

The University of Wisconsin-Madison fulfills its public mission by creating a welcoming and inclusive community for people from every background – people who as students, faculty, and staff serve Wisconsin and the world." <https://diversity.wisc.edu/>

Misconduct Statement

Academic Integrity is critical to maintaining fair and knowledge based learning at UW Madison. Academic dishonesty is a serious violation: it undermines the bonds of trust and honesty between members of our academic community, degrades the value of your degree and defrauds those who may eventually depend upon your knowledge and integrity.

Examples of academic misconduct include, but are not limited to: cheating on an examination (copying from another student's paper, referring to materials on the exam other than those explicitly permitted, continuing to work on an exam after the time has expired, turning in an exam for regrading after making changes to the exam), copying the homework of someone else, submitting for credit work done by someone else, stealing examinations or course materials, tampering with the grade records or with another student's work, or knowingly and intentionally assisting another student in any of the above. Students are reminded that online sources, including anonymous or unattributed ones like Wikipedia, still need to be cited like any other source; and copying from any source without attribution is considered plagiarism.

The Dept. of Economics will deal with these offenses harshly following [UWS14 procedures](#): 1. The penalty for misconduct in most cases will be removal from the course and a failing grade, 2. The department will inform the Dean of Students as required and additional sanctions may be applied. 3. The department will keep an internal record of misconduct incidents. This information will be made available to teaching faculty writing recommendation letters and to admission offices of the School of Business and Engineering.

If you think you see incidents of misconduct, you should tell your instructor about them, in which case they will take appropriate action and protect your identity. You could also choose to contact our administrator Tammy Herbst -Koel (therbst@wisc.edu) and your identity will be kept confidential.

For more information, refer to <https://www.students.wisc.edu/doso/academic-integrity/>

Grievance Procedure

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to try to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance, you should go to room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a phone where

you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information, because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. A name and address are necessary for providing a written response.