

ECO 461-001 Market Structure and Antitrust Policy
Spring 2010

Instructor: Frank Scott

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Goals of the Course:

This course is intended to introduce students to industrial organization. We will build upon the theory developed in ECO 201: Principles of Microeconomics and ECO 401: Intermediate Microeconomics so that we are able to analyze the behavior and performance of firms in particular industries. We will seek to understand the size and number of firms in a market, the nature of product differentiation, the conditions of entry and exit, and other relevant economic aspects of industries.

Course Content:

Our aim is to survey the field of industrial organization. We will study the goals of firms and reasons why firms exist in a market economy. We will evaluate markets in terms of the number and size distribution of sellers. We will analyze the determinants of market structure. We will pay particular attention to the behavior and interaction of firms in oligopolistic markets, and will study tacit and overt collusion, price discrimination, vertical integration, advertising and product differentiation, and entry and exit. We will end the course with a study of public policy towards competition and monopoly, paying particular attention to the antitrust laws.

Grading:

Your grade in the course will be determined as follows. There will be a midterm exam and a quasi-comprehensive final exam. The midterm exam will count 25% and the final exam will count 35% toward the determination of your final grade. You will also be asked to write a research paper focusing on one or more of the topical areas in the course outline. That will constitute 30% of your final grade. The remaining 10% of your grade in the course will be determined by your participation in class discussions.

Text:

Reading assignments will come from Luis Cabral's *Introduction to Industrial Organization* (MIT Press, 2000). It is available in both bookstores. I will also assign readings for each topical area taken from *The Wall Street Journal*. Copies of these can be obtained at Johnny Print.

Office Hours:

My office is 335-M in the Business and Economics Building. Office hours are 3:30-4:30 p.m. on Tuesdays and Thursdays. If these times are inconvenient with you, don't hesitate to make an appointment with me.

Course Outline and Reading Assignments:

- I. What is Industrial Organization? Ch. 1
- II. Review of Basic Microeconomics Ch. 2
“Corn’s Rally Sends Ripples,” *WSJ*, 1/18/07.
- III. Theory of the Firm Ch. 3
“Sharp’s New Plant Reinvents Japan Manufacturing Model,” *WSJ*, 11/30/09.
- IV. Introduction to Game Theory Ch. 4
“Haven’t Shareholders Had Enough Chicken?” *WSJ*, 4/4/01.
“Techdom’s Two Cold Wars,” *WSJ*, 7/22/09.
- V. Monopoly and Perfect Competition Chs. 5 & 6
“Alligator Farming Shows There’s a Lot to be Said for Cows,” *WSJ*, 8/2/89.
“Economic Woes Take a Bite out of Alligator Ranching,” *WSJ*, 11/12/97.
“A Run on Alligators Sends Designers Scrambling,” *WSJ*, 3/18/06.
“How a Fight over a Board Game Monopolized an Economist’s Life,” *WSJ*, 10/20/09.

Midterm Exam, Thursday, February 25, 11:00 a.m.

- VI. Oligopoly and Collusion Chs. 7 & 8
“Diamond Miners Band Together,” *WSJ*, 11/17/09.
- VII. Market Structure Ch. 9
- VIII. Price Discrimination Ch. 10
“Seeking Perfect Prices, CEO Tears Up the Rules,” *WSJ*, 3/27/07.
- IX. Vertical Integration and Vertical Control Ch. 11
“Boeing Scrambles to Fix Problems with New 787,” *WSJ*, 12/7/07.
See also “Boeing Tightens Its Grip on Dreamliner Production,” *WSJ*, 7/2/09.
- X. Product Differentiation and Advertising Chs. 12 & 13
- XI. Entry and Exit Chs. 14 & 15
“Apple Emerges as Nintendo’s Game Rival,” *WSJ*, 11/11/09.
“The tri-county pizza war,” *Lexington Herald-Leader*, 11/10/05.
- XII. Antitrust and Public Policy To be assigned
“Justice Agency Resists Music Merger,” *WSJ*, 10/16/09.

Final Exam, Tuesday, May 4, 2010, 10:30 a.m.