

**EconS 425**  
**Industrial Organization**  
TTh 12:00pm-1:15pm  
Hulbert Hall 23  
(3 credits)

**Instructor:** J. Bradley Eustice

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**Office hours:** Tuesday 10:45am-11:45am, Thursday 1:30pm-2:30pm, or by appointment.

**Course website:** <https://learn.wsu.edu/>

### **COURSE DESCRIPTION**

Industrial Organization (IO) studies *imperfect* competitive markets, specifically as it relates to the strategic interaction among firms. Imperfect competition arises when either firms or consumers have some degree of power over market prices. Microeconomics and game theory lie at the heart of IO models and mastery of the basic concepts of these two branches of economics is vital to understanding both theoretical and realized market outcomes.

### **PREREQUISITES**

EconS 301, Math 171 or 202

### **TEXT**

Industrial Organization: Theory and Applications, by Oz Shy (ISBN: 9780262691796)

### **COURSE ASSESSMENT**

The majority of the weight of the course will fall on quizzes and final exam. There will be three in-class quizzes (about 45 minutes each). Problem sets will be assigned about once every other week. A few academic papers to review will be assigned over the term (will go over specifics in class). Grades will follow a standard grading scale; however, overall grades may be curved if appropriate/needed (my goal is NOT to ruin your GPA). The lectures and problem sets are designed to help prepare you for the quizzes and exam. Course grades will be calculated based on the following weights:

- Quiz 1                    15%
- Quiz 2                    15%
- Quiz 3                    15%
- Problem Sets            20%
- Paper Reviews          5%
- Final                      30%

### **HOMEWORK POLICIES**

All assignments will be due in class on the due date. No late work is accepted. Show your work and circle the final answers. Remember that many answers can/should be simplified. The paper reviews must be typed and no longer than one page. All course materials and announcements will be posted on the course website: <https://learn.wsu.edu/>.

## EXAM SCHEDULE

Quiz 1: February 5 (Tuesday), in class

Quiz 2: March 5 (Tuesday), in class

Quiz 3: April 9 (Tuesday), in class

Final Exam: April 29 (Monday), 8:00am-10:00am IN CLASS

## TENTATIVE COURSE OUTLINE

Chapter	Topic
5	Monopoly
2, 6	Normal form games and applications
2, 7	Extensive form games and applications
6	Collusion and Antitrust
7	Markets for Differentiated Goods
8	Mergers
12	Quality
9	R&D
8	Entry Deterrence; Predatory Pricing
<i>if time permits (and class interest)</i>	
10	Networks and compatibility
11	Advertising
13	Pricing tactics
14	Marketing tactics
15	Price dispersion and Search Theory
16	Management and Compensation
–	Bargaining and Auctions

## LEARNING OUTCOMES

EconS 425 students will be able to:

- Analyze basic models of competition among firms producing homogeneous goods: competition, monopoly, Cournot oligopoly, Bertrand oligopoly, Stackelberg oligopoly.
- Apply basic game theory including solution concepts for normal and extensive form games. Demonstrate an understanding of extensions to these basic model, including models of product differentiation and games of incomplete information.
- Apply these models to key issues in theoretical and applied industrial organization: mergers, collusion, advertising, R&D competition, antitrust policy, entry accommodation and entry deterrence, and business strategy.
- Discuss the role of government in the market in determining antitrust policy, patent policy, and regulation.
- Read, synthesize, and write short review papers on applied or empirical papers from the industrial organization literature.

## UNIVERSITY POLICIES

### *Disability Resource Accommodation*

Reasonable accommodations are available for students who have a documented disability. Please notify the instructor the first week of class of any accommodations needed for the course. Late notification may cause the requested accommodations to not be available. All accommodations must be approved through the Disability Resource Center (DRC) in Administration Annex 205, 335-1566, <http://www.drc.wsu.edu/>

### *Academic Honesty*

WAC 504-25-015. Academic dishonesty, such as cheating, plagiarism, fabrication, and fraud, is prohibited. See <http://www.conduct.wsu.edu/> for more information and specific definitions of academic dishonesty. As an institution of higher education, Washington State University is committed to principles of truth and academic honesty. All members of the University community share the responsibility for maintaining and supporting these principles. When a student enrolls in Washington State University, the student assumes an obligation to pursue academic endeavors in a manner consistent with the standards of academic integrity adopted by the University. To maintain the academic integrity of the community, the University cannot tolerate acts of academic dishonesty including any forms of cheating, plagiarism, or fabrication. Washington State University reserves the right and the power to discipline or to exclude students who engage in academic dishonesty. To that end, the University has established the following rules defining prohibited academic dishonesty and the process followed when such behavior is alleged. These rules incorporate Washington State University's Academic Integrity Policy, the University-wide document establishing policies and procedures to foster academic integrity. This policy is applicable to undergraduate and graduate students alike, as it pertains to dishonesty in course work and related academic pursuits. In cases of dishonesty in research and original scholarship, the University's Policy and Procedural Guidelines for Misconduct in Research and Scholarship may take precedence over the policies and procedures contained herein. Academic dishonesty includes cheating, plagiarism, and fabrication in the process of completing academic work. These standards should be interpreted by students as general notice of prohibited conduct. They should be read broadly, and are not designed to define misconduct in exhaustive forms.

### *Campus Safety Plan*

The campus safety plan can be found at <http://safetyplan.wsu.edu> and contains a comprehensive listing of university policies, statistics and information related to campus safety, emergency management and the health and welfare of the campus community.