

Cleveland State University  
Department of Economics

**ECN 433: Industrial Organization**

*Fall 2009*

- Course Overview: This course focuses on the behavior and performance of the firms in “imperfectly competitive” markets. The models and analyses treated in the course build on the basic microeconomic theory, using economic reasoning to understand how imperfectly competitive markets function. In addition, we will examine a number of topics in much greater details than considered in basic microeconomic theory - competition and collusion, pricing strategies, product selection, advertising, research and development, and mergers, to name a few. Finally, we ask how the government can intervene in markets, and whether such interventions can improve the performance of the markets.
- Prerequisite: ECN 202 (Principles of Microeconomics)
- Instructor: Professor Myong-Hun Chang
- Contact Information
  - Office: Rhodes Tower 1719
  - Telephone: 216-687-4523
  - Email: [m.chang@csuohio.edu](mailto:m.chang@csuohio.edu)
- Office Hours: T 3:00 - 4:00 PM and by appointment
- Class Time: TTH 1:00 - 2:50 PM
- Classroom: RW 337
- Textbook: *Economics of Regulation and Antitrust*, Fourth Edition, by Viscusi, Harrington, and Vernon (MIT Press). This is a required text.

- Grading

Final grade is based on three exams (30% each) and your classroom participation and attendance (10%).

Examinations

The three exams are non-cumulative. They will mainly consist of essays, short answers, graphical analysis, and mathematical reasoning.

Exam #1: In-Class, September 29 (Tuesday)

Exam #2: In-Class, November 3 (Tuesday)

Exam #3: 1:00 - 3:00 PM, December 8 (Tuesday) — We will meet in the usual classroom.

There will be **no** make-up exams (NO EXCEPTIONS!!). If you foresee a possibility of missing an exam due to unavoidable schedule conflict, please contact me beforehand with a very good excuse. Otherwise, your score for the missing exam will be automatically zero.

Classroom Participation and Attendance

You are expected to participate in class actively. Be prepared to ask questions, answer questions, and discuss any issue that we may be going over in class.

- Assignments

You are required to read the relevant chapters indicated below, as the course progresses. You are also fully responsible for the lecture materials. Should you miss a lecture, please make sure that you obtain a copy of the lecture note from your classmates. My own lecture notes are not available for that purpose.

My lectures will contain materials that may not be in the textbook and there will also be certain materials in the textbook that I will not be discussing in class for time constraints. You are responsible for *all* materials in the textbook (only the specified chapters) as well as my lectures.

## Lecture Schedule and Reading Assignments

	<u>Topics</u>	<u>Chapters</u>
0.	Historical Background	1, 2
	<b>Market Structure, Competition, and Antitrust</b>	
1.	Introduction to Antitrust	3
2.	Economic Efficiency and Technical Progress	4
3.	Oligopoly, Collusion and Antitrust	5
4.	Strategic Competition	6
5.	Mergers	7
6.	Vertical Mergers	8
7.	Monopolization and Price Discrimination	9
	<b>Natural Monopoly and Economic Regulation</b>	
8.	Introduction to Economic Regulation	10
9.	Theory of Natural Monopoly	11
10.	Potential Solutions to the Natural Monopoly Dilemma	
	- Regulation of Natural Monopoly and Electric Power	12
	- Franchise Bidding and Cable TV	13
	- Public Enterprise	14
11.	Dynamic Issues in Natural Monopoly Regulation	
	- Telecommunications	15
12.	Regulation of Potentially Competitive Markets (Theory)	16
13.	Regulation of Potentially Competitive Markets (Application)	
	- Transportation and Energy	17, 18
	<b>Health, Safety, and Environmental Regulation</b>	
14.	Introduction to Health, Safety, and Environmental Regulation	19
15.	Valuing Life and Other Nonmonetary Benefits	20
16.	Environmental Regulation	21