

KANSAS STATE UNIVERSITY
Department of Economics

INDUSTRIAL ORGANIZATION AND PUBLIC POLICY
(Economics 640)

Spring 2011
T, Th 11:30-12:45
Willard 122

Professor Dennis L. Weisman
Office: Waters 246
Contact: 532-4588/weisman@ksu.edu
<http://www.k-state.edu/economics/weisman/flash.htm>

PURPOSE OF COURSE

The purpose of this course is to introduce students to the fundamentals of industrial organization and public policy. Course topics include antitrust law and economic analysis, horizontal and vertical mergers, elementary game theory, the theory of market structure, price discrimination, product bundling and predation. Recent topics in the business press will also be covered.

One goal of this course is to help students understand and analyze current economic issues in the news. Frequent references to articles from the *Wall Street Journal* will be made during the course of the semester. You may want to consider subscribing to the *Wall Street Journal*, but you are not required to do so. Other items of relevance in the news will be used to facilitate class discussion.

PREREQUISITES

Economics 120 and a working knowledge of College Algebra

READINGS

The required textbook for this class is *Modern Industrial Organization* (Fourth Edition) by Dennis W. Carlton and Stephen J. Perloff (C-P). You are responsible for the pages assigned regardless of whether they are covered specifically in class. Additional readings may be assigned at various intervals throughout the semester to supplement the material in the textbook.

COURSE REQUIREMENTS

Grading in the course will be based on (i) a midterm examination; (ii) a final examination; and (iii) a research paper, each accounting for approximately one-third of your total grade. Class participation will affect your grade on the margin. Problems will be assigned on a regular basis. These problems are essential to mastering the analytic techniques covered in the lectures. The guidelines for the research paper are posted on my web site for this course. The basic requirements are that it explore an issue in applied microeconomics, industrial organization or business strategy, be of approximately ten (typed, double-spaced) pages in length, and demonstrate economic insight and analytical thought. The paper should also provide ample references to the existing literature in the area. The paper is due at the beginning of class on April 28, 2011. Late papers will be penalized one letter grade per day.

TEACHING PHILOSOPHY

I believe that students should be held to stringent standards of performance and that course grades should accurately and fairly reflect that performance. You should expect to devote considerable time outside of the classroom to reading the assigned material and working through the problems. If you are unwilling or unable to commit to this level of effort, you are strongly encouraged to reevaluate the merits of enrolling in this particular class. Within these parameters, however, my goal is to make this course both interesting and challenging while helping you develop a set of tools that will be of significant benefit to you in your respective careers.

OFFICE HOURS

Tuesday and Thursday, 9:45AM-11:15AM and by appointment

TOPICS AND ASSOCIATED READINGS

1. Introduction: What is Industrial Organization?

(C-P) Chapter 1

2. Review of Basic Microeconomic Theory

(C-P) Chapters 2 - 4

3. The Antitrust Laws and their Economic Foundations

(C-P) Chapter 19

Robert W. Crandall and Clifford Winston, "Does Antitrust Policy Improve Consumer Welfare? Assessing the Evidence." *The Journal of Economic Perspectives*, Vol. 17(4), Fall 2003, pp. 3-26.

Jonathan Baker, "The Case for Antitrust Enforcement." *The Journal of Economic Perspectives*, Vol. 17(4), Fall 2003, pp. 27-50.

United States Department of Justice and Federal Trade Commission Horizontal Merger Guidelines: <http://www.justice.gov/atr/public/guidelines/hmg-2010.html>

4. Cartel Behavior

(C-P) Chapter 5

United States Department of Justice, Price Fixing, Bid Rigging and Market Allocation Schemes. <http://www.justice.gov/atr/public/guidelines/211578.pdf>

5. Theories of Oligopoly (Cournot, Stackelberg, Bertrand)

(C-P) Chapter 6

6. Industry Structure and Performance

(C-P) Chapter 8

7. Price Discrimination and its Welfare Effects

(C-P) Chapter 9

8. Advanced Topics in Pricing

(C-P) Chapter 10

9. Strategic Behavior

(C-P) Chapter 11

Dennis L. Weisman. "An Instructional Exercise in Cost-Raising Strategies and Perfect Complements Production." *The Journal of Economic Education*, Vol. 38(2), 2007, pp. 215-221.

10. Current Issues to be Announced

ACADEMIC HONESTY AND INTEGRITY

Kansas State University has an Honor System based on personal integrity, which is presumed to be sufficient assurance that, in academic matters, one's work is performed honestly and without unauthorized assistance. Undergraduate and graduate students, by registration, acknowledge the jurisdiction of the Honor System. The policies and procedures of the Honor System apply to all full and part-time students enrolled in undergraduate and graduate courses on-campus, off-campus, and via distance learning. The honor system website can be reached via the following URL: www.ksu.edu/honor. A component vital to the Honor System is the inclusion of the Honor Pledge which applies to all assignments, examinations, or other course work undertaken by students. The Honor Pledge is implied, whether or not it is stated: "On my honor, as a student, I have neither given nor received unauthorized aid on this academic work." A grade of XF can result from a breach of academic honesty. The F indicates failure in the course; the X indicates the reason is an Honor Pledge violation.

ACADEMIC ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES

Any student with a disability who needs a classroom accommodation, access to technology or other academic assistance in this course should contact Disability Support Services (dss@k-state.edu) and/or the instructor. DSS serves students with a wide range of disabilities including, but not limited to, physical disabilities, sensory impairments, learning disabilities, attention deficit disorder, depression, and anxiety.

DENNIS L. WEISMAN, Ph.D.

Dr. Weisman is a Professor of Economics at Kansas State University and a member of the graduate faculty. A former Director of Strategic Marketing for SBC Communications, Inc. (now AT&T), and a research fellow with the Public Utility Research Center at the University of Florida, Dr. Weisman has over 25 years of experience in the areas of government regulation, competition policy and business strategy. He has testified in numerous regulatory proceedings to the economic and social impacts of regulatory policies and has served as an economic consultant to Fortune 500 Corporations and regulatory commissions on economic pricing principles, the design of incentive regulation plans and competition policy. His primary research interests are in strategic behavior, government regulation and antitrust. The author or co-author of more than 90 articles, books and book chapters, his work has appeared in the *Antitrust Bulletin*, *Economics Letters*, the *Journal of Regulatory Economics*, the *Yale Journal on Regulation*, *The Journal of Policy Analysis and Management*, and the *Federal Communications Law Journal*. Dr. Weisman's work has also been cited by the U.S. Supreme Court. He is the co-author of *DESIGNING INCENTIVE REGULATION FOR THE TELECOMMUNICATIONS INDUSTRY*, published by the MIT Press and the AEI Press in 1996, and *THE TELECOMMUNICATIONS ACT OF 1996: THE "COSTS" OF MANAGED COMPETITION*, published by Kluwer in 2000. He serves as an editor for *The Review of Network Economics* and on the editorial boards for the *Journal of Regulatory Economics* and *Information Economics and Policy*. He also serves on the board of academic advisors for The Free State Foundation. Dr. Weisman received his Ph.D. in economics from the University of Florida.