

Professor: Caixia Shen

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Office hours: by appointment.

Course overview:

Perfect competition is known to generate the best possible welfare outcomes but real markets are often quite separated from this benchmark. In many markets firms possess some market power, or ability to sustain a price above marginal cost for the products they produce and sell. This course studies the relationships between different market structures, firm behavior and the efficiency and welfare results. It is a course on “industrial organization,” or the economics of imperfect competition. It deals with monopoly positions and competition among few, mergers and agreements among competitors, pricing practices and product choices, industry entry and exit and carriers to entry and exit, advertising expenses to differentiate the products so on. It focuses on the analysis of these market situations, including the possible government interventions designed to remedy the problems and maximize social welfare (regulation and antitrust).

Course Website:

Syllabus will be posted on the blackboard website. Class notes and slides, homework assignments and solutions, and other readings will be posted on the website or distributed in class.

Textbook:

Modern Industrial Organization, Dennis W. Carlton and Jeffrey M. Perloff, 2005
Pearson/Addison Wesley, 4th edition, ISBN 0-321-18023-2.

Other readings:

Another book may also be useful for additional reading.

Introduction to Industrial Organization, Luis M.B. Cabral, 2000 MIT Press. ISBN 0-262-03286-4.

Office Hours and Appointments:

Contact me by email in case of course conflict with the scheduled office hours.

Attendance:

Students are expected to attend all lectures. Each lecture will build on the knowledge acquired in the previous one and, if you miss a class, you are responsible for getting the lecture notes from your classmates.

Grading:

Homework and attendance	15%
Paper	10%
Midterm	25%
Final	50%

There will be 4 or 5 homework assignments. They are due 2 weeks after being handed out, typically I will distribute a homework on a Monday, and you are required to turn it back on Monday's class after 14 days. Unless there is a pre-arranged reason, late homeworks are not accepted. Your final homework grade, however, will be determined by your 4 best scores if 5 homeworks are assigned. So effectively, you can miss one homework without being penalized. I will usually return assignments along with answer keys on Tuesday during the week they are due.

You are required to write a short paper (approximately 5 pages, either in Chinese or English) on almost anything you want pertaining to the course and current events. This paper is designed as a group work. 5 students form a group to work together.

The paper is due on the last day of class. A 20-minute presentation will be required for each group. I encourage you to start early. You will need to look for your group members, think about ideas, write up a draft, and finally prepare the presentation. It is good to start early as the final exam will take up some of your time.

There is no shortage of industrial organization applications in the news. The paper should take an idea or ideas that we studied in class and relate it to something happening in the real world. Any related news to Chinese Economy would be good sources. For US and maybe the world economy, good sources of news may be the New York Times, Wall Street Journal, Financial Times, or the Economist. The paper should describe the news issue and relate it to some models we have studied (competition, monopolies, oligopolies, price discrimination, product differentiation, pricing strategies, advertising, mergers, etc). How does the news fit the model we studied? Is the news in line with the theory of the model?

Collaboration: I encourage students to work together on assignments, although you must turn in separate work. Assignments are for your own benefit and working through them is the key to doing well on the tests, which accounts for the majority of your grade. Therefore, work together in order to understand the issues that the assignments present.

Academic Conduct:

It is the student's responsibility to understand and observe the Academic Conduct Code. Cases of suspected misconduct will be referred to the Dean's Office. Furthermore, acts of plagiarism or cheating will be penalized with failing grades.