Boston University, Department of Economics

EC332 – Market Structure and Economic Performance
Summer 2024

Instructor:	Luis Henrique R. Linhares	**Time:**	M/T/W 9:30 AM - 12:00
Email:	lhrlinha@bu.edu	**Office Hours:**	M/W 1:00 PM - 2:00 PM SSW B94 and Zoom.

Course Description

In this introductory course for Industrial Organization (IO), we study the structure, behavior, and performance of firms and markets within various industries. IO serves as a framework for understanding how companies make strategic decisions in the face of competition, market power, and government regulations. Throughout the course, students will explore topics such as market structure, price discrimination, game theory, and market failures. The class will also go over case studies, allowing participants to apply theoretical concepts to real-world situations. By the end of the course, students will have gone through the intricacies of industrial markets and the economic implications of different market structures. This course aims to improve analytical thinking and empower students with the tools necessary for understanding a firm's strategic behavior.

Course Objectives

- To provide tools for understanding market competition and firm decisions.
- To practice critical thinking towards economic models.

Prerequisites

EC 201 – Intermediate Microeconomic Analysis is required. Knowledge of Calculus is strongly recommended.

Course Requirements

Grades in this course depend on participation during class discussions, problem sets, and exams. I will take into account the whole distribution of grades when assigning a grade.

Class Participation (5%): Students are encouraged to attend all lectures, participate in class discussions, and ask questions. This will count towards your final grade. Class preparation includes reading the suggested material ahead of time.

Problem Sets (20%): There will be 5 problem sets, from which I will take your best 4 grades to calculate your average. Students are encouraged to discuss the problem set in groups, but each student must individually submit their own problem set. Submissions are all through Blackboard.

Midterm (35%).

Final (40%).

Course Policies

Dropping the class: The add/drop period for the course without requiring faculty approval ends on May 30.

Emails: I aim to reply to emails as soon as possible, but please allow for a 24-hour wait on weekdays and 48 hours on weekends (consider how this affects your deadlines). Also, please include EC332 in the subject line of all emails.

Electronics: Laptops, phones, and iPads are allowed for note-taking and other class-related activities, but if they get in the way of the lecture, I will forbid their use.

AI Policy: The use of Grammarly, ChatGPT, or other text-related AI is permitted only for checking grammar/spelling mistakes. Any written content must be authored exclusively by the student.

Academic Conduct: Students must treat everyone respectfully and follow the Academic Conduct Code (https://www.bu.edu/academics/policies/academic-conduct-code). Cheating is not tolerated.

Respect: This course thrives on the free discussion of ideas. We must create an environment where people feel comfortable sharing opinions and asking questions. Be mindful that your words are respectful and appreciate your classmates' input.

Support: Office hours can be a big help, so take advantage of them. BU also offers support for student wellbeing (https://www.bu.edu/studentwellbeing/) and academic resources (https://www.bu.edu/advising/key-academic-resources/). Lastly, you can always feel free to contact me if you are facing any difficulties.

Textbooks

Students are encouraged to prepare by reading on the topics before class. The recommended textbook for this course is

Cabral, Luis M. B. 2017. *Introduction to Industrial Organization.* Second Edition. The MIT Press.

BU students should have online access to Cabral (2017) through the BU libraries website. You may also use the First Edition; however, the chapters and exercise numberings might differ.

Course Outline

The following is a list of topics to be covered in class. Changes might occur throughout, and I might assign extra readings, but those will be notified in class beforehand.

The chapter numbers are for the textbook.

Introduction to Industrial Organization: Chapter 1

Review: Chapters 2.1-2.2, 2.4, 3.

Demand and Supply

Consumers and Firms

Competition: Chapter 4.

Perfect Competition and Efficiency

Welfare

Market Failures and Monopolies: 5.1, 5.3-5.5

Market Power

Regulation

Price Discrimination: 6.1-6.3, 6.5

Types of price discrimination

Tariffs and bundles

Non-linear pricing

Game Theory: 7.1-7.3

Nash-Equilibrium

Repeated Games

Oligopoly: Chapter 8

Cournot, Bertrand, Stackelberg

Collusion: Chapter 9

Equilibrium with Collusion

Price wars

Product Differentiation: Chapter 14

Competition with differentiated products

Spatial differentiation, Hotelling

Advertising

Market Structure:

Entry and Exit of Firms: Chapter 10

Mergers: Chapter 11

Market foreclosure: Chapter 12

Important Dates

Problem Sets

1) Friday, May 24th, 2024.
2) Thursday, May 31st, 2024.
3) Thursday, June 6th, 2024.
4) Friday, June 14th, 2024.
5) Friday, June 21th, 2024.

Midterm: Monday, June 10th, 2024.

Final: Wednesday, June 26th, 2024.

Students will be notified well in advance if there are any changes to these dates.