

ECON 8430 Syllabus Summer 2017

Author: Professor Brian Allen Hunt

Econ 8430-003 (CRN 53306)
Theory of the Firm and Business Strategy
Summer 2017

Instructor: Brian Allen Hunt (Economist/Visiting Lecturer)

TIME AND LOCATION: 7:40pm- 10:10pm., T/R; Room: #227 Langdale Hall (formerly known as General Classroom Building)

ADMINISTRATIVE INFO: Andrew Young School (14 Marietta Street, NW), Room#647

E-mail: bhunt@gsu.edu [email option on iCollege is the preferred way to contact me]

Office hours: Monday and Wednesday mornings before 12pm by appointment only

CATALOG DESCRIPTION: An application of microeconomic theory and industrial organization to topics important for internal firm organization and strategic business decision-making. Topics vary, but typically include transactions cost analysis and empirical implications; multi-product cost concepts; vertical integration; product differentiation and product quality; durable good pricing; innovation and patents; spatial competition; delivered (base point) pricing; price discrimination; product bundling; network economies and information industry implications; and special topics in regulatory economics and transitional adjustments in deregulated industries.

Calculus and Algebra: We will use differential calculus and algebra throughout the course. To make sure you are comfortable with the material see Chapters 9-11, 16-17, and 21 this will give you an indication of the level of math that will be used. If you need to refresh your math skills, you should look through a college

PREREQUISITES: Econ 8100; CSP: 1; Course material is in part an extension of topics that have been covered in Econ 8440 (Industrial Organization and Antitrust Economics), but primarily covers topics that do not overlap those of 8440. This course is fully self-contained and focused especially upon topics and empirical applications that are useful to business as well as academic economists. Attempts are made to accommodate the unique interests and backgrounds of students in various academic programs and specializations.

REQUIRED TEXTS: Industrial Organization: Contemporary Theory and Practice, by Lynne Pepall, Dan Richards and George Norman, 5th ed., Wiley (2014). ISBN: 9781118250303.¹

Scott E. Masten, editor, Case Studies in Contracting and Organization, Oxford University Press, 1996.

¹ Students are also welcomed to use the 4th edition of the textbook in the course.

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Recommended Reference Texts:

Dennis W. Carlton and Jeffrey M. Perloff, Modern Industrial Organization, Fourth Edition, Addison-Wesley, 2005. [www.ac-bc/carlton_perloff]

Sherman, Roger. Market Regulation. Pearson Addison Wesley (2008).

Readings in Industrial Organization, edited by Luis Cabral. Wiley (2000) ISBN:978-0-631-21617-9

Supplemental reading will be assigned. Often these readings will be made available via iCollege for downloading or as class handouts. All distribution is in compliance with the applicable copyright law

Class Lectures and Attendance

Attending class is important as I will deviate from the posted lecture slides and textbook material on many occasions. The course materials are not easy and will require a fair amount of work, understanding of key concepts and proficiency in basic math (differentiation, solving sets of equations, algebra).

It is your responsibility to attend class and be current with the material. If you miss class and material from that class shows up on the test, good luck! By necessity, the class lectures will be quite condensed; you will have to rely on the textbook for details.

The best strategy for you will be to take only the essential notes during class. I will post the class lecture slides on the D2L site. The slides will only provide the basic information – the details and discussion will be done in class. Take notes on which chapter, topic and the main points, and fill in the details from the textbook later. This will enhance your understanding of the material. Class lectures and textbook should be used as complements and not substitutes.

If you miss class, talk to another student who attended class regarding what we covered. This is your responsibility. If you miss class, I will not go over the material with you on an individual basis.

ATTENDANCE POLICIES: Attendance and active participation are important. Make efforts to obtain material from any classes that must be missed. Advance arrangements must also be made if adjustments are requested for exam deadlines. If you are required to miss an exam date due to business travel, jury duty, military service, hospitalization, or university business, documentation must be provided and arrangements must be made to take the exam prior to the exam date and during office hours. Also, please remember that university and government financial policy requires that students be withdrawn from any class that they fail to attend regularly. Therefore, if you have legitimate reasons for missing some classes (due to health or related reasons), it is important to let me know. Please also refer to the university guidelines on limitations of class withdrawals for graduate students.

COURSE REQUIREMENTS

Evaluation:

Assessment	Hand Out	Date Due
Exam 1	Thursday, June 22nd	Tuesday, June 27th
Exam 2	Thursday, July 13th	Tuesday, July 18 th
Team Presentation	See Posted Presentation Schedule on iCollege by Class 2 nd Class Meeting	Assigned in Presentation Schedule

Grading policy: There will be 2 take-home exams, and a class presentation based on the assigned readings. A numerical average will be computed by applying equal weights to the grades on the 2 exams and the class presentation. A letter grade will be assigned according to your numerical average (X) and the following table:

Average	Letter Grade
$97 \leq X$	A+
$93 \leq X < 97$	A
$90 \leq X < 93$	A-
$87 \leq X < 90$	B+
$83 \leq X < 87$	B
$80 \leq X < 83$	B-
$77 \leq X < 80$	C+
$73 \leq X < 77$	C
$70 \leq X < 73$	C-
$60 \leq X < 70$	D
$X < 60$	F

Class presentations: Students should form teams in groups of 2 by the end of the class 1 meeting. Each team will be assigned a reading from the Masten text and assigned a presentation date. *A formal presentation schedule, including student team presentation assignments, will be made available on iCollege by the 2nd class meeting. Assigned readings for presentations will fairly coincide with topics for class lecture from the Pepall and Richards text. All class members are expected to have read the assigned case study to be presented.*

The teams should prepare and deliver a twenty minute presentation, including a Power point presentation. You will be given a grade based on the quality of your presentation (presentation grading rubric will be posted on iCollege), including the Power point, and your ability to field and answer questions from the class. Class presentations will constitute 1/3rd of your course grade.

Attendance policy: Attendance is strongly recommended. Please remember that all university regulations, deadlines, and policies must be observed. In particular, students are expected to follow the GSU “Policy on Academic Honesty” (Section 409 of the Georgia State University Faculty Handbook). Also, on some date after the mid-point of the course (a date set by the Provost), students on the grade rolls but no longer taking the class will be given a grade of WF, and the last day of class that the student attended or turned in an assignment will be reported to the GSU administration.

Make-up exam/Late Exam policy: There will be no make-up exams under any circumstances. Late exams are penalized at a rate of 10% of the exam score for each day late.

Important Notes on Exam Dates, the Syllabus, and Format of Class Meetings :

1. There may be revisions to the syllabus and changes to exam dates during the course. Exam, dates are not likely to change but may change to meet structure, flow, and needs of the course. Make sure that you get informed about any changes that may take place. Check often your email inbox on iCollege for the course.
2. Classes will be informal lectures and industrial organization theory and models will be explained using graphical analysis and math. If not otherwise noted in the course schedule in this syllabus, assigned readings from the Masten text and from other outside sources for class discussion will be announced prior to a class meeting.

Other Important Course Notes

1. This course syllabus provides a general plan for the course; deviations may be necessary.
2. Georgia State University complies with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. Students with disabilities who seek academic accommodations must first take appropriate documentation to the Office of Disability Services located in Suite 230 of the new Student Center.
3. If you require special accommodations for exams (e.g., "time and a half"), you must provide documentation from GSU Disability Services² and make arrangements with me at least two days before the first exam.
4. Georgia State University students are expected to comply and adhere to the Policy on Academic Honesty (Section 409 of the Student Handbook).
5. Incompletes will only be given to students who are passing the course, and even then, only in very special circumstances. In the case where an incomplete is awarded, it must be removed by the end of the next term that the student is enrolled (and within two terms regardless of whether or not the student is enrolled) or it will automatically turn into an F.
6. Students who withdraw after the midpoint of each term will not be eligible for a "W" except in cases of hardship. A student who withdraws after the midpoint of the term is assigned a grade of "WF," except in those cases in which (1) hardship status is determined by the Office of the Dean of Students³ because of emergency employment, or health reasons, and (2) the student is doing passing work, as determined by the student's instructor(s).
7. Effective Fall 2001, all instructors must, on a date after the mid-point of the course (to be set by the Provost) give a WF to all those students who are on their rolls, but no longer taking the class and report the last day the student attended or turned in an assignment. If you plan to drop the class, let me know.
- 8. June 30th is the last day to withdraw and possibly receive a "W".**
- 9. Statement: "Your constructive assessment of this course plays an indispensable role in shaping education at Georgia State. Upon completing the course, please take time to fill out the online course evaluation".**
- 10. Statement: "Students who wish to request accommodation for a disability may do so by registering with the Office of Disability Services. Students may only be accommodated upon issuance by the Office of Disability Services of a signed Accommodation Plan and are responsible for providing a copy of that plan to instructors of all classes in which an accommodation is sought".**

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² See <http://www2.gsu.edu/~wwwods/>

³ See <http://www.gsu.edu/~wwwdos/>

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Important Dates:

	7-week Classes
Classes Start	June 5 th
Last day to add/drop classes	June 9 th
University official holiday – no classes	July 4 th
Last day to Withdrawal	June 30th
Classes End	July 25 th
Final Exams	July 25 th – 29th
Grades are Due by 5 pm	August 1 st

Course Outline:

This is a preliminary syllabus. I am likely to make a few changes to the syllabus as we make progress during the semester. These will be conveyed to you via emails sent thru the iCollege site and announced in class. It is your responsibility to stay updated with class lectures and postings on iCollege.

It is your responsibility to make sure your email is working and the inbox is not full so that you can receive emails and attachments.

Dates	Pepall, Richard and Norman Text	Masten Text; Case Studies on D2L	Exam Due Dates
Week 1	Chapter 2 “Basic Microeconomics” Chapter 3 “Market Structure and Market Power” Chapter 4 “Technology and Cost”	iCollege: “Boundaries of the Firm Revisited” Masten: “Supplier Switching Cost and Vertical Integration in the Automobile Industry” (p. 179) iCollege: 3-D Printing: “Another brick in the Great Wall” (04/27/2013)	
Week 2	Chapter 5: “Price Discrimination and Monopoly: Linear Pricing”	Masten: “Quantity and Price Adjustment in Long-Term Contracts: A Case	

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	<p>Chapter 6: “Price Discrimination and Monopoly: Non-Linear Pricing”</p> <p>Chapter 7: “Product Variety and Quality Under Monopoly”</p>	<p>Study of Petroleum Coke” (p. 64)</p> <p>Masten: Contracting Practices in Bulk Shipping Markets: A Transactions Cost Explanation” (p. 130)</p>	
Week 3	<p>Chapter 9: “Static Games and Cournot Competition”</p>	TBA	
Week 4	<p>Chapter 10: “Bertrand Price Competition”</p> <p>Chapter 11: “Dynamic Games and First and Second Movers”</p> <p>Chapter 12: “Limit Pricing and Entry Deterrence”</p>	TBA	<p>Exam #1 Due, Tuesday, 06/27/2017</p>
Week 5	<p>Chapter 15: “Collusion Detection and Policy”</p> <p>Chapter 16: “Horizontal Mergers”</p> <p>Chapter 17: “Vertical Mergers”</p>	<p>iCollege: “Trading Oil: Libor in a barrel” (05/18/2013)</p> <p>Masten: “Vertical Integration as Organizational Ownership: The Fisher Body-General Motors Relationship Revisited” (p. 165)</p>	

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Week 6	Chapter 20” Advertising, Market Power, and Information”	TBA	
Week 7	Chapter 20 (cont.) Chapter 21: “Advertising, Competition, and Brand Names”	TBA	Exam #2, Due Tuesday, 07/18/2017