

San José State University
Department of Economics
Economics 121, Industrial Organization, Section 01, Sp 10

Instructor:	Matt Holian
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Office Hours:	<ul style="list-style-type: none">• Tuesday & Thursday, 3p.m. – 4:30p.m.<ul style="list-style-type: none">• Thursday• almost any other time, by appointment
Class Days/Time:	Tuesday and Thursday, 4:30-5:45p.m.
Classroom:	DMH 160
Prerequisites:	Principles of microeconomics (Econ 1B)

Faculty Web Page and MYSJSU Messaging

Copies of the syllabus, major assignment handouts, etc. may be found on my web page accessible through <http://mattholian.com>. You are responsible for regularly checking the e-mail address that you currently have on file with MySJSU, and you should also check your spam box.

Course Description

This course can be divided into two sections. In the first section, we explore industrial organization (IO) concepts through neoclassical representations of competition, monopoly and oligopoly, as well as basic game-theoretic formulations of these topics. The material is selectively drawn from a variety of texts and class notes. The second section covers more explicitly dynamic frameworks for understanding entrepreneurship and other disequilibrium phenomenon, as well as antitrust issues. The material for this section comes from a text on dynamic competition and antitrust (Ellig, 2001). In all, students in this class will be exposed to insights from mainstream as well as evolutionary, Schumpeterian, path dependence, Austrian, and resource-based perspectives.

Course Goals and Student Learning Objectives

The main goals for students are: to reaffirm the understanding of economic methodology, especially the basic price theory of perfect competition and monopoly, (but also including model-based argument and thought more generally); to develop useful game theoretic tools for understanding strategic situations; to be exposed to some diverse perspectives on IO that one can turn to when neoclassical economics falls short; and to take these diverse perspectives into consideration when evaluating business strategy and antitrust cases that are of local and global interest. This course should be equally relevant for business and business policy students, future anti-competitive watchdogs, and general students of economics alike.

Required Readings

1. *Principles of Economics*, Rittenberg and Tregarthen, published May 2009 (1st edition) by Flat World Knowledge. This text can be viewed for free at: <http://www.sjsu.edu/faculty/matthew.holian/Econ>
2. Church and Ware, *Industrial Organization: A Strategic Approach*.¹ This text can be downloaded for free at: <http://homepages.ucalgary.ca/~jrchurch/page4/page5/files/PostedIOSA.pdf>
3. Holt, C. *Markets, Games and Strategic Behavior*. This text can be viewed for free at: <http://people.virginia.edu/~cah2k/expbooknsf.pdf>
4. Varian, Hal. "The Economics of Information Technology: An Introduction" <http://people.ischool.berkeley.edu/~hal/Papers/mattioli/mattioli.html>
5. Farrell and Shapiro, "Intellectual Property, Competition and Information Technology." http://papers.ssrn.com/sol3/papers.cfm?abstract_id=527782
6. Ellig, Jerry. *Dynamic Competition and Public Policy: Technology, Innovation, and Antitrust Issues*. The introduction can be downloaded for free at: <http://assets.cambridge.org/97805217/82500/sample/9780521782500ws.pdf>
But you must purchase a copy to get the rest of these REQUIRED chapters!!!

Assignments and Grading Policy

There will be one midterm (on 3/16) and a final (on 5/19), each with equal weight (40%). The other 20% of the grade comes from around ten pop quizzes (10%) and class participation (10%). Attendance per se shall not be used as a criterion for grading (according to Academic Policy F-69-24) however many of the test questions, especially on material from the second half of the class, will draw heavily from class discussion. Therefore, you are encouraged to attend every class.

¹ Page one of this text starts on page 34 of the PDF document, so when printing, add 33 to the page numbers that you want to print.

Econ 121 / Industrial Organization, Spring 2010, Course Schedule

The schedule (version 4) is subject to change. I will announce any changes in class, and post an updated schedule on the course web page. Readings are to be done in advance of coming to lecture.

Week	Date	Topics, Readings, Assignments, Deadlines
1	1-26-10	Introduction Rittenberg and Tregarthen, Chapters 8-11 & 16
	1-28-10	Review Rittenberg and Tregarthen, Chapters 8-11 & 16 optional: Taylor, Chapter 13 (http://www.textbookmedia.com/Products/ViewProduct.aspx?id=3269) in lieu of Rittenberg and Tregarthen, Chapter 16
2	2-02-10	Review Rittenberg and Tregarthen, Chapters 8-11 & 16
	2-04-10	Review Rittenberg and Tregarthen, Chapters 8-11 & 16;
3	2-09-10	The Welfare Economics of Market Power Church and Ware, Chapter 2
	2-11-10	The Neoclassical Theory of the Firm Church and Ware Section 3.1 (pp. 49-62)
4	2-16-10	Issues in Monopoly Church and Ware 4.1, 4.4, 4.5 (pp. 109-124, 145-150)
	2-18-10	Cournot-Nash Equilibrium Holt, Chapter 13
5	2-23-10	Cournot meets Ricardo: Contrasting the Monopoly and Competence views on Profit Demsetz, H. 1973. "Industry Structure, Market Rivalry, and Public Policy," <i>Journal of Law and Economics</i> 16: 1-9. Williamson, O. 1968. "Economies as an Antitrust Defense: The Welfare Trade-offs." <i>American Economic Review</i> 58: 18-36. (Optional)
	2-25-10	The Economics of Information Technology Varian (2003) Skip subsection 6.4 & section 10
6	3-2-10	Catch up
	3-4-10	Intellectual Property, Competition and IT Farrell and Shapiro (2003)
7	3-9-10	Catch up

Week	Date	Topics, Readings, Assignments, Deadlines
	3-11-10	<i>Review for Midterm</i>
8	3-16-10	<i>Midterm</i>
	3-18-10	<i>Non-neoclassical frameworks for IO and antitrust</i> Ellig, Introduction and Chapter 1
9	3-23-10	<i>Catch up</i>
	3-25-10	<i>Catch up</i>
<i>Spring Break, 3/29-4/2</i>		
10	4-6-10	<i>Competence Explanations of Economic Profits in Strategic Management: Some Policy Implications</i> Ellig Chapter 2
	4-8-10	<i>Innovation and Monopoly Leveraging</i> Ellig, Chapter 5
11	4-13-10	<i>Class cancelled</i>
	4-15-10	<i>Network Effects and the Microsoft Case</i> Ellig, Chapter 6
12	4-20-10	<i>Standards, Innovation, and Essential Facilities</i> Ellig, Chapter 7
	4-22-10	<i>Catch up</i>
13	4-27-10	<i>An Entrepreneurial Theory of the Firm</i> Sautet, Chapter 1, pp. 4-16
	4-29-10	<i>Entrepreneurship as a Field of Research</i> Shane and Venkataraman (2000)
14	5-4-10	<i>IP and Antitrust Limitations on Contract</i> Ellig, Chapter 8
	5-6-10	<i>Furlough Day</i>
15	5-11-10	<i>Topic TBA</i>
	5-13-10	<i>Review for the final</i>
Final Exam	5-19-10	<i>Final Exam, 2:45 p.m.</i>

Dropping and Adding

Students are responsible for understanding the policies and procedures about add/drops, academic renewal, etc. [Information on add/drops are available at http://info.sjsu.edu/web-dbgem/narr/soc-fall/rec-324.html](http://info.sjsu.edu/web-dbgem/narr/soc-fall/rec-324.html) . [Information about late drop is available at http://www.sjsu.edu/sac/advising/latedrops/policy/](http://www.sjsu.edu/sac/advising/latedrops/policy/) . Students should be aware of the current deadlines and penalties for adding and dropping classes.

Academic integrity

Students should know that the University's [Academic Integrity Policy is available at http://www.sa.sjsu.edu/download/judicial_affairs/Academic_Integrity_Policy_S07-2.pdf](http://www.sa.sjsu.edu/download/judicial_affairs/Academic_Integrity_Policy_S07-2.pdf). Your own commitment to learning, as evidenced by your enrollment at San Jose State University and the University's integrity policy, require you to be honest in all your academic course work. Faculty members are required to report all infractions to the office of Student Conduct and Ethical Development. The website for [Student Conduct and Ethical Development is available at http://www.sa.sjsu.edu/judicial_affairs/index.html](http://www.sa.sjsu.edu/judicial_affairs/index.html).

Instances of academic dishonesty will not be tolerated. Cheating on exams or plagiarism (presenting the work of another as your own, or the use of another person's ideas without giving proper credit) will result in a failing grade and sanctions by the University. For this class, all assignments are to be completed by the individual student unless otherwise specified. If you would like to include in your assignment any material you have submitted, or plan to submit for another class, please note that SJSU's Academic Policy F06-1 requires approval of instructors.

Campus Policy in Compliance with the American Disabilities Act

If you need course adaptations or accommodations because of a disability, or if you need to make special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible, or see me during office hours. Presidential Directive 97-03 requires that students with disabilities requesting accommodations must register with the DRC (Disability Resource Center) to establish a record of their disability.

Learning Assistance Resource Center

The Learning Assistance Resource Center (LARC) is located in Room 600 in the Student Services Center. It is designed to assist students in the development of their full academic potential and to motivate them to become self-directed learners. The center provides support services, such as skills assessment, individual or group tutorials, subject advising, learning assistance, summer academic preparation and basic skills development. [The LARC website is located at http://www.sjsu.edu/larc/](http://www.sjsu.edu/larc/).

Peer Mentor Center

The Peer Mentor Center is located on the 1st floor of Clark Hall in the Academic Success Center. The Peer Mentor Center is staffed with Peer Mentors who excel in helping students manage university life, tackling problems that range from academic challenges to interpersonal struggles. On the road to graduation, Peer Mentors are navigators, offering "roadside assistance" to peers who feel a bit lost or simply need help mapping out the locations of campus resources. Peer Mentor services are free and available on a drop-in basis, no reservation required. The Peer Mentor Center website is located at <http://www.sjsu.edu/muse/peermentor/> .

Other readings from which I draw lecture material:

1. Agarwal, R., Barney, J. Foss, N. and P. Klein. "Heterogeneous Resources and the Financial Crises: Implications of Strategic Management Theory," http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1440851
2. Barney, J. (2006) *Gaining and Sustaining Competitive Advantage*. Pearson.
3. Holcombe, R. (2006) *Entrepreneurship and Economic Progress*, Routledge.
4. Kannan–Narasimhan, Rangapriya and Glazer, Sharon. 2005. "Nurturing Corporate Entrepreneurship: A Cross-Cultural Analysis of Organizational Elements That Foster Corporate Entrepreneurship" *International Journal of Entrepreneurship Education* 3(1): 31-56,

5. Lars-Hendrik Riiller and Bernard Sinclair-Desgagn (1996) “On the heterogeneity of firms,” *European Economic Review*, 40, 531-539.
6. Langlois, R. “Do Firms Plan?” <http://129.3.20.41/eps/io/papers/9406/9406002.pdf>
7. Langlois, R. “Modularity in Technology, Organization, and Society” http://papers.ssrn.com/sol3/papers.cfm?abstract_id=204089
8. Sautet, F. (2000) *An Entrepreneurial Theory of the Firm*. Routledge.
9. Shapiro, C. and Varian, H. *Information Rules: a Strategic Guide to the Network Economy*, Harvard Business School Press
10. Shane, S. and Venkataraman, S. (2000) “The Promise of Entrepreneurship as a Field of Research,” *The Academy of Management Review*, Vol. 25, No. 1 (Jan., 2000), pp. 217-226 (note economists referenced therein)
11. Varian, H. (1997) “Versioning Information Goods,” working paper, available at: <http://people.ischool.berkeley.edu/~hal/Papers/version.pdf>