

# Syllabus

## Econ 3250 - *Industrial Organization & Competitive Strategy* Spring 2025

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**Office Hours:** Office Hours: T 11:30-12:30, W 11:00-12:00 (virtually as needed), and by appointment individually. Sign up for office hours (not Tuesday) at <https://calendly.com/rhiller-1>

**Textbook:** Cabral, Luis. Introduction to Industrial Organization, The MIT Press.

**Prereq:** EC 11.

### Description

The basic principles of perfect competition generally do not apply in the real world. *Industrial Organization and Competitive Strategy* examines what happens to markets and firms when those tenets do not hold. The course examines how people and firms make choices, including pricing, quantity, and public policy decisions. This involves reviewing microeconomic ideas and then learning the basics of game theory in order to introduce how to make decisions in the context of a game. We will learn to see decisions from the perspective of all of the parties involved, and how the interaction of their choices matter. Finally, these theories will be applied to people and firms to see how important decisions vary under differing conditions.

This material is broadly applicable to business decision making and most markets. We will use many real world examples to illustrate any theory. Most every industry you can think of is structured in a way that makes IO useful. Can you think of any true monopolies or perfectly competitive industries? Likely not, most all markets lie somewhere in between. Some examples we will use are media, technology, and energy industries.

### Class Requirements

Please be aware that the critical thinking required for successful completion of this course may not come naturally for many students. Class exposure to model building, applied problems and solutions is the best way to become proficient in the application of microeconomic theory and the way economists think and solve problems.

To that end, please feel free to form study groups to review and discuss lecture/reading material, homework assignments etc., but you must submit individual work for grading.

## Grading

Grade Breakdown:

Participation Grade: 5%

Two Midterms: 25% each

Homework: 20%

Final Paper and Presentation: 25%

For this class we will use the book as a reference. The best way to learn the material is to attend the class, pay attention, study, and practice the material as the course progresses.

There will be pop quizzes at random points in the semester to help determine a “participation” grade, as well as class discussion. We will have two midterms at the assigned dates and a final research project in lieu of a final exam. Homeworks will be assigned as we progress, and I encourage that you do the assignments alone first, however, group work is helpful and suggested for finishing the work.

## Final Project

You will choose an industry that you like and analyze it in the context of its market, customers, and strategy. This will be done in the form of a 7-10 page (12 font, double spaced) paper and a 5-7 minute presentation the last week of class. You will use the tools we accrue throughout the semester in order to write about the market structure of the industry, products provided, pricing, and comparison to a perfectly competitive or monopoly market.

An example might be cell phone providers with its few major providers. What does this do to the price of cell phones? How are products differentiated? What makes the market so easily dominated by a few carriers? What would the price be if more carriers could get in? Less?

## Tentative Schedule of Topics

(Subject to change based on speed)

| Class Week | Relevant Chapter(s) | Topic  |
|------------|---------------------|--|
| 1          | 1-2                 | Review/What Is IO?/Basic Micro                                       |
| 2          | 2-4                 | Basic Micro/The Firm/Game Theory                                     |
| 3          | 4                   | Game Theory  |
| 4          | 5                   | Monopoly/Regulation  |
| 5          | none                | Review for Midterm and Midterm (2/21)                                |
| 6          | 5-6/10              | Regulation & the Law/Free Entry & Price Takers/Price Discrimination  |
| 7          | 7                   | Oligopoly  |
| 8          | 8                   | Collusion  |
| 9          | 9/12                | Mrkt Structure and Mrkt Power (Empirical IO)/Horizontal Product Diff |
| 10         | 12/13               | Horizontal and Vertical Product Differentiation/Adverstising         |
| 11         | 14/15               | Entry and Exit   |
| 12         | none                | Review and Midterm (4/17)  |
| 13         | none                | Presentations  |

## **Important Dates**

Midterm 1 - Fri, Feb 21

Midterm 2 - Fri, April 18

Final - Papers will be due Sat May 3

## **Academic Honesty**

All students are expected to conform to the code of academic honesty of the University. You should read the section in the University catalogue that describes academic honesty, and make sure you understand it. Although you are welcome to work together on the computer part of the homework assignments, the written part should be done independently, and cheating on exams will result in a failing grade on that test and possible referral to the Dean's Office.