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# EC 461

## Industrial Organization & Public Policy

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Fall 2016 (Sept. 26<sup>th</sup> – Dec. 4<sup>th</sup>)  
MW 10:00 – 11:20am; McKenzie Hall 125

Instructor: Felix Friedt  
E-Mail: [ffriedt@uoregon.edu](mailto:ffriedt@uoregon.edu)  
Office: PLC 417  
Office Hours: Monday 2:00pm-3:00pm,  
Tuesday 10:00am-11:00am, or by Appointment

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### Overview

This course examines market performance and policy to address issues in market performance. Specifically, the course develops a framework to assess market performance based on economic efficiency and then proceeds to apply the general framework to competition policy and economic regulation using the economic and mathematical tools developed in intermediate microeconomics. The course starts with an introduction to and description of industrial organization and the public policy options available. With this in place, the course then explores various cases and both the regulatory instruments used in, and the relevant problems associated with, each case.

### Learning Outcomes

- Understanding of the history of public policy and regulation
- Proficiency in modeling various markets, regulatory policy tools, and economic efficiency. This builds on basic microeconomic concepts and requires the ability to examine models of agents' decisions using mathematical tools
- Understanding specific issues that arise in regulated industries, how economic regulation is formed, is used, and effects market outcomes

### Prerequisites

As stated in the University of Oregon catalog, EC 311 (intermediate microeconomics), and one from EC 320 or EC 423 (econometrics), or equivalent are prerequisites for this course. If you have not passed these prerequisites prior to the start of the term, you must drop the course unless you have explicit written permission from me to take it without having met these prerequisites, otherwise you will be given an F for this class. No coursework in industrial organization is required. You will soon find out that this course makes use of mathematics. I assume that you are, or will soon be, comfortable with solving equations, and maximizing a function.

### Course Outline

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|----------------------------|-------------------------|
| 1. Introduction            | Chapters: 1 & 2         |
| 2. Industrial Organization | Chapters: 4, 22, 24     |
| 3. Public Policy           | Chapters: 10-13, 15, 16 |

### Required Text Book

•Viscusi, Harrington, and Vernon.  
*Economics of Regulation and Antitrust*.  
The MIT Press, 4th Edition.

### Important Dates

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**October 26<sup>th</sup>, 2016**

Midterm – 10:00 AM – 11:20 AM

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**December 8<sup>th</sup>, 2016**

Final Exam – 10:15 AM – 12:15 PM

## Canvas

All course materials and communication will be distributed through the Canvas course website, which can be found at <https://canvas.uoregon.edu>. Please see me as soon as possible if you have trouble accessing the website, as it will be an important means of communication in this class. I will use it to inform you when new homework assignments are posted, to inform you when homework assignments are due, what we will cover in class so you can come to class prepared, of your scores on exams, etc. Things that will be posted on Canvas include, but are not limited to, homework assignments, answer keys, presentation slides, study guides and grades. Announcements made on Canvas should be considered modifications to this syllabus.

## Office Hour Policy

My office hours are specific times set aside for you and can be found at the top right corner on the first page of this syllabus or on the Department of Economics website. You are welcome to stop in during these hours to ask any questions or discuss any material from the course. You should also feel welcome to stop by my office outside of my office hours; I will be glad to help you if I do not have previous obligations. If you cannot make my office hours and are uncomfortable just dropping by or would like to make sure I will be in my office, please e-mail me and we can set up an appointment.

## Evaluation

**Exams:** This course will have two exams, one midterm and one final. The final will be cumulative. The dates for the exams are:

Midterm:	Wednesday, October 26 <sup>th</sup> (in class)
Final:	Thursday, December 8 <sup>th</sup> (10:15am-12:15pm)

Please note that **no make-up exams will be given**. If any exam is missed, a type-written petition fully explaining and documenting the reason for missing the exam must be submitted to me within one week of the scheduled midterm or by Monday, December 12th for the final. If the petition is approved, the weight of the midterm will be applied to the final exam. A missed final due to an unanticipated emergency will be handled with an incomplete for the course. Petitions will only be approved for extreme extenuating circumstances. If the petition is not approved (or no petition is submitted), a grade of zero will be assigned to the missed exam.

**Homework:** There will be five homework assignments, four of which will count towards your grade in this class. The lowest scored homework assignment will be dropped. The assignments will be uploaded to Canvas and due dates will be announced in class. Assignments are due at the beginning of class on the due date. The homework assignments should be printed and each question should be answered in the space provided. I reserve the right to grade any number of the homework questions. Homework keys will be posted to Canvas. No late homework will be accepted unless approved by me before the homework is due. Homework assignments will not be accepted by e-mail unless approved by me before the homework is due.

### **Grades:**

Homework assignments and exams are not graded with a letter grade, but scored as a percentage of correct answers. Your overall grade for the class will be determined on the basis of these percentage scores. You are *guaranteed* a B- or higher in the class if your overall score is 80% or more. You are *guaranteed* to pass the class (a grade of C- or above) if your overall score is 65% or more. In addition, I will adjust the scores as needed for a fair grade distribution conditional on the difficulty of the homework assignments and exams. *Please note that the Economics Department requires a letter grade of C- or higher for all classes. If you take this class P/NP, it will NOT be counted toward your major or minor requirements.*

Your final course grade will be determined as follows:

Homework (4, 7.5% each)	30%
Midterm	30%
Final	40%

Note that attendance is not required. However, students will be responsible for all material in the assigned chapters as well as all material covered in class. The text book should not be considered a substitute for attending class; **I will post my class slides to Canvas. However, the slides will not contain everything we cover in class. In particular, slides will not include answers to in-class exercises.** Those who choose not to attend class will find it difficult to succeed in this course.

**Grade Appeals:** Any requests for re-grading an exam must be submitted in writing within one week of when the exam was handed back. If you do not pick up your exam when it is handed back, you still must submit your request within a week of when the test was originally handed back. A re-grading request should include an argument for why you feel your answer was correct. I reserve the right to re-grade the entire exam when a request to re-grade any part of the exam is made.

## Academic Dishonesty Policy

Any violations of the academic integrity policy (available at [conduct.uoregon.edu](http://conduct.uoregon.edu)) will result in a failing grade for the course and a complaint will be filed with the University’s Hearing board. **Cheating of any form will not be tolerated.**

**Exams:** All exams will be closed-note and closed-book. Students will be permitted to have a pen or pencil, ruler or straightedge, and a non-programmable calculator on their desk during the exam. Under no circumstances will students be allowed to use a cell phone during the exam, including as a calculator. The use of any other assistance or sources of information is prohibited and will be considered cheating.

**Homework:** Students are allowed and encouraged to work together on homework assignments. However, each student must hand in **their own work** separately. Simply changing the name on a typed up homework assignment will not be accepted. As a general rule, I should not be able to tell who you worked with when you turn in your homework.

## Students with Disabilities

If you have a documented disability and anticipate needing accommodations in this course, please make arrangements with me during the first week of the term. Please request that the counselor for students with disabilities (164 Oregon Hall) sends me a letter verifying your disability.

## Student Engagement Inventory

According to the office of the registrar a 4 credit class should engage a student for about 120 hours over the course of one quarter or summer term. Below you can find a table that lays out the anticipated division of these hours of student engagement for our class.

Activity	Elaboration	Expected Hours
Course Attendance	Course attendance is not mandatory but highly recommended	30 hours (3 hours per week)
Assigned Readings	Textbook and review of notes	50 hours (5 hours per week)
Homework	5 homework assignments	20 hours (4 hours per assignment)
Tests	One midterm and one final exam	Varies with study effort

## Tentative Schedule

Below is a schedule of assigned readings and topics that we will cover during lecture as well as anticipated homework due dates. You are expected to have read the assigned chapter(s) before lecture and be ready to discuss them in class. This schedule is subject to change given the pace of the class. I will likely assign supplementary readings as the class progresses. All changes will be either announced in class or posted on Canvas. The scheduled dates for exams will not change, barring extraordinary circumstances.

Date		Date	
09/26	<b>Introduction</b> <i>Readings: Chapter 1</i>	09/28	<b>The Making of Regulation</b> <i>Readings: Chapter 2</i>
10/03	<b>Economic Efficiency</b> <i>Readings: Chapter 4</i>	10/05	<b>Economic Regulation</b> <i>Readings: Chapter 10</i> <i>HW #1 due at the beginning of class</i>
10/10	<b>Economic Regulation</b> <i>Readings: Chapter 10</i>	10/12	<b>Natural Monopoly - Theory</b> <i>Readings: Chapter 11</i>
10/17	<b>Natural Monopoly – Theory &amp; Practice</b> <i>Readings: Chapter 11 &amp; 12</i>	10/19	<b>Natural Monopoly - Practice</b> <i>Readings: Chapter 12</i> <i>HW #2 due at the beginning of class</i>
10/24	<b>Review</b>	10/26	<b>Midterm</b>
10/31	<b>Franchise Bidding</b> <i>Readings: Chapter 13</i>	11/2	<b>Regulation Dynamics</b> <i>Readings: Chapter 15</i>
11/7	<b>Regulation Dynamics</b> <i>Readings: Chapter 15</i>	11/9	<b>Competitive Market Regulation</b> <i>Readings: Chapter 16</i> <i>HW #3 due at the beginning of class</i>
11/14	<b>Competitive Market Regulation</b> <i>Readings: Chapter 16</i>	11/16	<b>Product Safety Regulation</b> <i>Readings: Chapter 22</i>
11/21	<b>Product Safety Regulation</b> <i>Readings: Chapter 22</i> <i>HW #4 due at the beginning of class</i>	11/23	<b>Patents – Theory &amp; Practice</b> <i>Readings: Chapter 24</i>
11/28	<b>Patents – Theory &amp; Practice</b> <i>Readings: Chapter 24</i>	11/30	<b>Review</b> <i>HW #5 due at the beginning of class</i>
12/8	<b>Final Exam (10:15am-12:15pm)</b>		