

Professor: Dr. Yaroslav Kryukov
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Office hours: Monday 3-5pm
Tuesday 2-4pm
In addition, I am generally in the office in the afternoons

Lectures: TT 12:00-1:20, Potter Hall A18C
(walk Baker-Porter hallway to the end, and take stairs down)

Website: <http://cmu.edu/blackboard>

Objectives. Industrial Organization, also known as Applied Microeconomics is a study of competition in various markets, particularly the implications of specific market imperfections on concentration, profitability and efficiency. By the end of the course, student will be able to:

- Identify market imperfections and sources of market power
- Analyze their implications for concentration and profitability in the market
- Apply this knowledge to discuss anti-trust and strategic behavior issues

Prerequisites.

- 73-251 or 73-252: Advanced Microeconomics
- Other courses covering basics of Micro and Calculus might be acceptable

Textbook. Main text is “*Industrial Organization*” by Luis M.B. Cabral.

If you want additional info, Carlton and Perloff’s textbook is placed on reserve.

Grading. The course grade will be determined as follows:

- 45% Exams -- two midterms and a final,
all equally weighted and non-cumulative
- 40% Homeworks
- 10% Attendance
- 5% Quizzes

Class format. Classes will be lectures format, with occasional questions.

Homework. There will be 12 homework assignments, consisting of both mathematical and verbal-reasoning questions.

For each student, the lowest-scoring problem set will not count towards the grade, with the exception of the last problem sets that will not be dropped.

You can work in teams of up to three students, submitting one solution per team. You can switch teams or work alone.

Exams. There will be two midterms, on Oct-01 and Nov-05, as well as the final on the date that will be scheduled by CMU administration. All three will be equally weighted. It will be closed book, closed notes. You can have a watch and a calculator, but no other electronic devices. Obviously, you cannot copy work of others during the exam.

Participation & attendance. Substantial portion of class material requires making judgments about ambiguous issues, so attendance and participation are necessary. Missing more than **3** classes without valid reason (medical or family emergency) will result in score reductions.

Participation means more than just attendance. Student should do the readings, be able to answer questions about them and offer insights into the discussed topic. Not being able to do so will result in score reductions.

Quizzes. There will be a 5-minute quiz every Tuesday, covering the material taught in the previous week. Students are allowed to miss one quiz. Missing additional quizzes can be compensated by doing extra-credit assignments or course participation.

Communication. Primary way to ask questions is come to the office hours or send an e-mail. Professor will respond to the e-mail questions within 24 hours, or 36 hours if the e-mail was sent on a weekend. Phone communication should be kept to a minimum.

Special circumstances. The valid reasons for missing classes, extension of homework deadlines, or setting up make-up exams are verifiable medical or family emergencies. Documented requests for special accommodations should be submitted at least a week in advance as per CMU policy.

Job search activities are not emergencies since they are scheduled in advance. Same applies to coursework in other classes, extra-curricular activities, etc. Homework and attendance policies are already designed to accommodate such situations.

Classroom behavior. You cannot disturb or distract other students. For example:

- Laptops are not allowed unless otherwise noted.
- Cell phones noises are not allowed, as is talking on the phone.

Copyright. You are not allowed to make audio or video recordings of the class without instructor's permission.

Integrity. You are bound by the University's academic integrity rules. Homework solutions and final project should include only the work of the people listed on the front page. If you do talk to people outside your team, you must limit the discussion to class material; you are not allowed to compare or discuss solutions to the problem set. If you share a computer, take turns using it. If you use sources besides textbook and lecture notes, cite them. Copying work of other people or teams is a university offense, and will be punished by a non-droppable zero score and will be added to your CMU record.

Schedule & readings (will be expanded and altered as necessary).

Topic	Class & homework dates	Readings (Cabral)
1. General topics		
1.1 Basics	8/25 HW 1 due 9/1	Chapter 2
1.2 Monopoly	8/27 HW 1 due 9/1	Chapter 5
1.3 Perfect competition, monopolistic competition	9/01, 9/03 HW 2 due 9/8	Chapter 6
1.4 Game theory	9/08, 9/10 HW 3 due 9/15	Chapter 4
1.5 Oligopoly	9/15, 9/17 HW 4 due 9/22	Chapter 7
1.5 Collusion	9/22, 9/24 HW 5 due 9/29	Chapter 8
Review and 1st midterm	9/29, 10/01	
1.6 Market power	10/06, 10/08 HW 6 due 10/13	Chapter 9
2. Static competition		
2.1 Pricing and price discrimination	10/13, 10/15 HW 7 due 10/20	Chapter 10
2.2 Vertical relations	10/20, 10/22 HW 8 due 10/27	Chapter 11
2.3 Product differentiation	10/27, 10/29 HW 9 due 11/3	Chapter 12
Review and 2nd midterm	11/3, 11/5	
2.4 Advertizing	11/10, 11/12 HW 10 due 11/17	Chapter 13
3. Dynamic competition		
3.1 Exit and Entry	11/17, 11/19, HW 11 due 11/24	Chapters 14,15
3.2 Network externalities	11/24 HW 12 due 12/03	Chapter 16
3.3 Innovation	12/01, 12/03 HW 12 due 12/03	Chapter 17