Greetings, and welcome to Industrial Organization! This course focuses upon the nature of firms and industries (groups of firms), as organizations of each society’s factors of production. We begin our study with a discussion of the history of market structures and their evaluation, including the history of capitalism and industrial revolution. This background will enable us to assess the relative strengths and weaknesses of any firm’s situation, and enable us to understand the extent to which the government needs to be involved in helping firms and industries produce according to our efficiency criteria. I am also interested in our reflections upon each firm’s relationship with the community and with the natural environment, and the philosophical and economic aspects of innovation and evolution of our standards of living. In greater generality, enhanced awareness of the nature of industrial organization enables each of us to better understand the contributions we intend to make to a firm and an industry, and the dollar value the market will place upon those contributions. I look forward to teaching this course, and I welcome you to call upon me any time you feel I could be helpful; my goal is to be considered among the most accessible instructors on campus. Bon voyage!

*RIT is committed to providing reasonable accommodations to students with disabilities. If you would like to request accommodations such as special seating or testing modifications due to a disability, please contact the Disability Services Office. It is located in the Student Alumni Union, Room 1150; the Web site is [www.rit.edu/dso](http://www.rit.edu/dso). After you receive accommodation approval, it is imperative that you see me during office hours so that we can work out whatever arrangement is necessary.*

**Course Requirements:**

- Exam #1 20%
- Exam #2 20%
- Exam #3 20%
- Term Paper 20%
- Exam #4 (final) 20%

100%
Examinations:

We will have three midterm exams, a term paper, and a final exam. The first exam will be given in class on **Wednesday, September 20**; the second exam will be given in class on **Monday, October 16**; and the third exam will be given in class on **Wednesday, November 8**. The final exam is scheduled by the Institute for **Friday, December 15, 8-10am**, in our regular classroom. The second and third exams will not be cumulative; however, the final exam will be cumulative. You may only bring a “$15” calculator to the examinations—which is to say, a scientific calculator like a TI-30XIIS that does not have graphing, wireless, or keyboard functions. I intend to discuss materials in Carlton and Perloff Chapters 1-11, 19, and 16; Landes and Posner Chapters 1-3, 11, 13 and 14; and multiple research journal articles listed below in the “References beyond the Text”. The examinations will comprise essays and problems, and will strictly span the materials we discuss in class. Thus, it is crucial to have a complete set of lecture notes. I strongly encourage you to exchange greetings and contact information soon with at least one other person in this class (before the end of the first week of classes), so that you may call upon that person for a copy of the lecture notes, should you need to miss a class for any reason. Please note that while I am eager to discuss your questions regarding the exam materials, my deadline for discussing exam materials is 5PM the evening before each exam. Sample exam questions will be posted at [https://mycourses.rit.edu/index.asp](https://mycourses.rit.edu/index.asp), our course website. Lastly, please note that if we determine that a make-up exam is appropriate, that exam will almost surely be an oral exam.

Course Grades:

Course grades will be determined as follows:

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<thead>
<tr>
<th>Percentage</th>
<th>Plus/Minus Equivalent</th>
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<tbody>
<tr>
<td>93-100</td>
<td>A</td>
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<tr>
<td>90-92.99</td>
<td>A-</td>
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<tr>
<td>85-89.99</td>
<td>B+</td>
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<td>80-84.99</td>
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<tr>
<td>75-79.99</td>
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<td>70-74.99</td>
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<td>65-69.99</td>
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<td>60-64.99</td>
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<td>50-59.99</td>
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<td>&lt;50</td>
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Term Paper:

In order to provide an opportunity for independent study and for real-world application of the materials we shall study together, I would like for you to explore the most recent
Form 10-K filing of a firm in which you are strongly interested. Firms with publicly traded shares must file an annual report of their activities with the Securities and Exchange Commission. Each firm’s 10-K is accessible free of charge at the SEC’s website, http://www.sec.gov/edgar.shtml. In addition, most firms post their Form 10-K reports on their websites, under “Investor Relations” or a similar heading.

Once you select a firm, please prepare a paper regarding what you perceive as the three most important industrial organization aspects of the firm’s situation. Two of the aspects must be promising, while one of the aspects must be of concern, based upon the materials we studied together in this course. A useful guideline is to contemplate specifically how you are reading the firm’s 10-K report differently today than before you enrolled in this course. One example of a point of analysis might be the following. Many firms note that they invest a lot of money in R & D each year; hold a number of patents; and/or undertake a high rate of M & A activity. However, our economic analysis might ask how we (or the firm) would know the optimal rates of these activities/investments if we saw them? Your firm’s 10-K does not likely comment along these lines; part of your analysis could walk people through how economists think about such questions. The audience for the paper is the leadership at the firm, where you might be invited to interview for a job. One can and should include figures (graphs) to illustrate key points; graphs may appear in the text or in an Appendix. The papers must be exactly five pages in length (excluding graphs and references) and exhibit double-spacing, twelve point font, default margins, laser printing, and a cover page. Please submit the cover page of the firm’s 10-K and the term paper in a nice, two-pocket folder.

Please note that I cannot accept late papers. If you are unable to submit your paper in class on Monday, December 4, I am pleased to accept your paper (or paper-in-progress for partial credit) either in my office before Noon (to include delivery by a friend, neighbor or family member; if I am not in my office, please slide the paper under my office door), by email (as a Word or PDF attachment, by Noon), or by snail mail (if postmarked on or before the due date). Note that if the email or snail mail options are necessary, I must reduce the grade by 3%.

In addition to our textbook materials, please plan to read as many of the following documents as time permits. At a minimum, please read the documents indicated with stars. The documents are listed in the approximate order of their appearance in our class discussions; each journal article is available on-line at the Wallace Library website.

The Nature of the Firm (Carlton and Perloff, Chapter 2):


*Plato (380 BC). Republic, Book II. [http://classics.mit.edu/Plato/republic.3.ii.html](http://classics.mit.edu/Plato/republic.3.ii.html).*


**Perfect Competition: Some references to early US legal/economic thought, with implications for globalizing IO today and tomorrow (Chapter 3).**


Oligopoly (Chapter 6)


Industry Structure and Performance (Chapter 8)


Strategic Behavior (Chapter 11, Appendix A): Tying, Bundling, and Network Externalities


**Antitrust Laws and Policy (Chapter 19)**


**Patents and Technological Change (Chapter 16):**


