This lecture course takes the IO (Industrial Organization) economics perspective based on the Structure-Conduct-Performance paradigm (industry). We also examine, as an alternative, in specific contexts the resource-based view (as the key to generating competitive advantage and sustainable economic profits (inter-firm differences) due to immobile (tangible and intangible) resource heterogeneities. The course focus on pharmaceutical industry and associated regulations (policies) provides the framework for extending course contents to allied technology industries, e.g., medical device and biotechnology. This is crucial because many large pharmaceutical firms diversify into medical devices and biologics. The course text is a collection of classic and recent papers published largely in leading economics and allied health and medicine journals, including (but not limited to) The American Economic Review, Quarterly Journal of Economics, Journal of Health Economics, RAND Journal of Economics, New England Journal of Economics, Health Economics, Review of Economics & Statistics, Journal of Law and Economics, PharmacoEconomics, Journal of Economics and Management Strategy, …

At semester’s conclusion the student should be well versed in the comprehensive literature survey (core theories, models, data structures, methods, and specific applications), classic and contemporary. Since the course text (latest available in the market) published 2013 omitted some newer body of knowledge, I have scoped a more expansive literature and added as relevant in the section labeled ‘Additional, more recent readings’ under the subject sub-headings. These added materials are FYI, will not be treated in the class, and you are not responsible for their contents.

**Required Text:**


**Suggested (Optional or) Complimentary Texts:**


**Grading:** Lecture discussions, article summary ‘write-ups, and participation=25%; Mid-term test (in-class)=25%; Final exam (take-home)=25%; Semester paper=25%. **Grading scale:** A=90-100; B=80-89; C=70-79; D=60-69; F=less than 60.

**Vital Dates:** 1st Class Day (Aug. 27); Labor Day (Sept. 1); Fall Break (Oct. 11-14); Thanksgiving Break (Nov. 26-30); Last Day of Class (Dec. 3); Study Day (Dec. 4); Final (Dec. 8, 2014).
**Student Conduct:** U of M’s Student Handbook’s conduct policies in and outside of university, fully governed by all applicable rules & policies [http://saweb.memphis.edu/judicialaffairs/pdf](http://saweb.memphis.edu/judicialaffairs/pdf), including but not limited to the offices of Student Affairs, Student Disability Services, and Student Development. [http://www.memphis.edu/atoz.htm](http://www.memphis.edu/atoz.htm) are fully incorporated by reference herewith.

**Class Attendance:** Taken randomly. Scientific studies claim the importance of class attendance for material retention and competence.

**Disability Statement:** A student requesting disability-related accommodations for this course should provide me a memo from Student Disability Services (SDS). The memo verifies that the student is registered with SDS, is regarded as a person with a disability, and that the listed accommodations are considered appropriate and reasonable, considering the functional limitations of the disability. Students who provide accommodation memos to faculty have already provided appropriate disability documentation to SDS, so faculty members should not ask students for documentation other than the memo from SDS. If the student is not registered with SDS or does not have an accommodations memo, the faculty member should refer the student to SDS. (110 Wilder Tower; phone: 678-2880).

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<tr>
<th>CLASS MEETING DATES</th>
<th>COURSE CONTENT MATERIALS (CS) †</th>
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**PART 1: THE INDUSTRY**

**A: The Structure of the Industry**


**Additional, more recent Readings:** F.S. Morton & M. Kyle, ‘Pharmaceutical Markets,’ in Handbook of Health Economics (2011)

**B: Patented Pharmaceuticals and Innovation**

Cockburn & Henderson (1994); Commanor (2007); DiMasi, Hansen, Grabowski & Lasagna (1991); Henderson & Cockburn (1996); Scherer (2001); Danzon, Nicholson & Pereira (2005); Graboedsk, Vernon & DiMasi (2002); Duggan & Morton (2010); Lichtenberg (2003); Munos (2009);

C: The Generic Drug Industry
Caves, Whinston & Hurwitz (1991); Grabowski (2007); Morton (1999); Frank & Salkever (1997);

D: Biologics
Kozlowski, et al. (2011); Gottlieb (2008);

*** Mid-Term, October 20, 2014 ***

PART II. THE DEMAND FOR PHARMACEUTICALS:
DEMAND AND INCENTIVES
Manning, et al., (1987); Lichtenberg and Sun (2007); Rosenthal, et al. (2003); Ling, et al. (2002); Spence, et al. (2005); Hay (2004);

PART III. PRICING
Berndt (2002); Lu & Comanor (1998); Bhattacharya & Vogt (2003); Schweitzer & Commanor (2011); Danzon & Chao (2000);

11/19; 11/24; 12/1; 12/3 PART IV. REGULATION

*** Final, December 8, 2014. Term Research Paper also due on this date***

†The course professor reserves the right to substitute more recently published article, as they become available, in place of any of the listed published papers listed above. Students will be notified in advance, however.