

Industrial Organization

Spring 2017

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Course Summary

This is a standard undergraduate course in industrial organization. We will study functioning of product and service markets with few participants and no market regulation. In particular, we will focus on strategic decisions made by firms in the presence of strategic interdependence which arises because of the small number of participants. We start by developing theoretical tools which will help us to think about market phenomena in a systematic way. Then we will apply these tools to analyze business strategies that firms use to achieve higher profits. We will study implications of these policies on the firm's success in the market and, also, on the consumer / society welfare. In the later case, we would often refer to the laws and regulations imposed by the government in order to counteract some of the possibly harmful effects of these strategies. Several empirical published papers and case studies will be used to illustrate the theoretical models presented in class.

Textbook:

Pepall L., Richard D. and G. Norman, "Industrial Organization: Contemporary Theory and Empirical Applications," fifth edition, Wiley

Meeting Times: Monday, Wednesday, 12:00 – 1:15 PM

Course Requirements:

Problem Sets	20 %
Quizzes	50%
Final Exam	30%

Problem sets: The problem sets are designed to give you an opportunity to review the material learned in class. It is a good idea to work in small study groups. However, each student has to submit his or her own write-up of the solution. These solutions must be submitted in class at the start of the lecture on the specified due dates. Problem sets are graded out of 10 points.

Note: Problem sets will be posted on the course web page. I will not distribute problem sets sheets. You are responsible for checking the web-site and downloading the questions.

Quizzes: There will be 2 in-class quizzes graded out of 75 points each. Quizzes are closed book and closed notes.

Final Exam: Exam is cumulative; notes or books are not allowed.

Re-grading: All the re-grade requests (for problem sets or quizzes) should be submitted in writing within 1 week after the graded assignment has been returned.

Course Outline

Topic	Reading
1. Market Structure and Entry	
a. Perfect Competition (review)	Ch. 2.1
b. Monopoly (review)	Ch. 2.1
c. Oligopoly	Ch. 9
d. Dominant firm and Competitive Fringe	Notes
2. Cartels and Collusion	Ch. 11, 14, 15
(Porter R., ``A Study of Cartel Stability: The Joint Executive Committee, 1880-1886,’’ The Bell Journal of Economics, 1983, volume 14(2))	
3. Price Discrimination – Monopoly	Ch. 5, Ch. 6
(Leslie P., `Price Discrimination in Broadway Theater’, The Rand Journal of Economics, 2003, volume)	
4. Durable Good Pricing - Monopoly	Notes
5. Product Differentiation	Ch. 7, Ch. 10
(Berry S. and J. Waldfogel, ``Free Entry and Social Inefficiency in Radio Broadcasting,’’ The Rand Journal of Economics, 1999, volume 30(3))	
6. Horizontal mergers	Ch. 16.1 – 16.3 (Ch. 16.5)
7. Vertical Relations and Vertical Mergers	Ch. 17.1 - Ch.17.3, Ch. 17.6
8. Price Dispersion and Search	Notes
(Sorensen A., “Equilibrium Price Dispersion in Retail Markets for Prescription Drugs,’’ Journal of Political Economy, 2000, 108)	
9. Innovation, Research and Development	Ch. 24

Quizzes

Quizzes	Date
Quiz 1	February 22
Quiz 2	April 5

Problem Sets

Problem Set 1	February 8
Problem Set 2	February 15

Problem Set 3

March 15

Problem Set 4

April 26