ECON5313  Industrial Organization
Fall 2015

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Class Time: T/R, 9-10:15am  Classroom: Cate Center CCD1 145
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Course Description
Industrial Organization studies the behavior of firms and the functioning of markets, as well as the role of public policy in promoting efficiency. This course will cover selected topics in industrial organization theory. Recommended textbooks include: (1) The Theory of Industrial Organization by Jean Tirole, MIT Press, (2) Oligopoly Pricing by Xavier Vives, MIT Press and (3) Industrial Organization by Oz Shy, MIT Press. A good source for references is the Handbook of Industrial Organization, Vol. 1, 2, and 3. HIO3 (2007, Mark Armstrong and Robert Porter edits) surveys the major developments in IO since Tirole.

Grading
Your grade will be based on homework and class participation (30%), a midterm exam (30%) and a research component consisting of a term paper and presentation (20%), two referee reports (10%) and two presentations (2-person groups, 10%). You are encouraged to form study groups to discuss homework and lecture materials. More details about the research component will be discussed later.

Honor Policy
You may not access any old problem sets, old exams, answer keys without my explicit permission. When collaborating with others, do not copy answers from another student. Always cite any resources or individuals you consult to complete an assignment.

Course Schedule
The course materials are arranged by topics, each usually covered over several classes. Several problem sets are assigned and I will also ask you to write short reviews for papers
(each review is about two pages long, double spaced). You are also encouraged to work out the various exercise problems in Tirole.

A tentative course schedule is listed below. Approximate number of lectures to cover each chapter is listed in parenthesis. There can be changes to this schedule during the semester, which will be announced in class. It is your responsibility to update information about the course according to announcements made in class.

I Monopoly Pricing (1.5)

- Single-/Multi-product monopolist
- Learning-by-doing
- Durable good monopolist

Tirole exercise 1.1-1.2 (p. 67), 1.3 (p. 68), 1.4 (p. 69), 1.5 (p. 71), 1.7 (p. 72).

Readings: Tirole Ch. 1


II Static Models of Oligopoly (8.5)

- Bertrand and Cournot competition

Tirole 5.1 (p. 211), 5.3-5.5 (p. 221), 5.6-5.7 (p. 223).

**Problem set 1:** Shy Q1 (p. 128 skip a)), Q2 (p. 128), Q5 (p. 129)

Readings: Tirole Ch. 5


• Quadratic utility

**Problem set 2**


• Spatial competition

Tirole 7.1 (p. 281), 7.2 (p. 282), 7.3 (p. 284).

**Problem set 3**

Readings: Tirole Ch. 7.1


• Vertical differentiation

**Problem set 3 (continued)**

Readings:

• Monopolistic competition

Problem set 4


1st referee report

Planning for Term Paper

III Dynamic Models of Oligopoly (5)

• Dynamic pricing

Problem set 5

Readings:


• Collusion

Tirole exercises 6.2-6.3 (p. 247), 6.4 (p. 250), 6.7 (p. 252).

Problem Set 5 (continued)

Readings: Tirole Ch. 6


Proposal for Term Paper

IV Entry and Exit (4)

• Natural monopolies
  Tirole exercises 8.1 (p. 310), 8.2 (p. 312).
  Readings: Tirole Ch. 8

• Accommodated, deterred and blockaded entry
  Tirole exercises 8.4 (p. 319), 8.7 (p. 325)
  Readings: Tirole Ch. 8

Problem set 6


• Limit pricing and signal jamming

Problem set 6 (continued)

Readings: Tirole Ch. 9


Exam

V Alternative Theories of Competition (6)

Term Paper Due

Final referee report

• Consumer search

Readings:


- Baye, M, and J Morgan. ”Information Gatekeepers on the Internet and the Competitiveness of Homogeneous Product Markets.” AER 91, no. 3 (June 2001): 454-474.
• Price discrimination

Readings:


• Low-price guarantees


• Two-sided markets
VI Vertical Control (3)

- Price and non-price vertical arrangements
- Procompetitive impacts of vertical restraints
- Anti-competitive impacts of vertical restraints

Readings: Tirole Ch. 4


Abbreviations for journals:
AER: American Economic Review
EJ: Economic Journal
EM: Econometrica
IJIO: International Journal of Industrial Organization
JB: Journal of Business
JEL: Journal of Economic Literature
JEMS: Journal of Economics and Management Strategy
JIE: Journal of Industrial Economics
JLEO: Journal of Law, Economics, and Organization
JPE: Journal of Political Economy
QJE: Quarterly Journal of Economics
RAND (BELL): Rand (Bell) Journal of Economics
REStat: Review of Economics and Statistics
REStud: Review of Economic Studies