Industrial organization is the branch of Microeconomics that studies the functioning of markets with few competitors. The presence of a small number of market participants generates situations of strategic interdependence. The course uses Microeconomics and basic Game Theory to study firm behavior and social welfare.


In case you want to read more on Game Theory see: R. Gibbons, *Game Theory for Applied Economists*. For further readings on legal cases you can check: J. Kwoka and L. White, *The Antitrust Revolution*. These are optional readings.

**Grading** will be based on a midterm exam (during lecture-time April 27th), a final exam (during the last class) and problem sets in the following proportions 40, 50, and 10%. Homework and tests will involve problem solving (no essay questions). The best way to prepare for the tests is to take the problem sets seriously.

1. **Introduction**
   - Industrial Organization: PRN Chapter 1.
   - What is a firm? and Cost Structure. PRN Chapter 4.1.
   - Monopoly and Competition: Efficiency implications.
     - Competition and Monopoly: PRN Chapter 2 (excluding 2.3.2).
   - Industry Structure: Concentration Measures and Evidence. PRN Chapters 3, 4.1 and 4.3

2. **Durable Good Monopoly**
   - Market Definition: PRN Chapter 3.1 and Case: Alcoa in Breit and Elzinga, page 177-86.
   - Coase Conjecture: Notes.

3. **Price Discrimination**: PRN Chapters 6.1 (first degree), 6.2 (second degree), 5-5.3 and 5.5 (third degree) and 8.1 (Tie-in sales and bundling)

4. **Economic Theories of Oligopoly Pricing**
   - Game Theory: Static Games. PRN 9.1-3 and Gibbons Ch 1 (pp 1-12).
   - Static Price Competition
     - Homogeneous Goods: PRN 9.4-5, 10.1 or Gibbons 1.2.A.
     - Differentiated Goods: PRN 10.2-3 and Ch 7 or Gibbons 1.2.B
   - Game Theory: Sequential and Repeated Games. PRN 11, Gibbons 2.1, 2.2 and 2.3 (skip the complex applications).
   - Dynamic Price Competition:
First Mover Advantage
Introduction to Antitrust Policy. PRN Ch 1 (Appendix), Ch 16. Breit and Elzinga: Part I and Part II (skim pages 9-60).

5. Strategic Behavior: Carlton and Perloff, Chapter 11.
   Product Differentiation (Variety) PRN 7 (single firm).
   Entry Deterrence: PRN 12.2-4.
   Entry Deterrence: Brand Proliferation. Case: Breakfast Cereals.

6. Horizontal mergers.

7. Vertical Price Restraints and Vertical Mergers: PRN 8, Vertical Non-Price Restraints PRN 9


10. Network Markets: PRN 24

Tentative schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Lecture Subject</th>
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</thead>
<tbody>
<tr>
<td>4/1</td>
<td>Introduction, Review: Monopoly, Competition and Efficiency.</td>
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<tr>
<td>4/6</td>
<td>Lecture 2 Durable goods and Market Definition.</td>
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<tr>
<td>4/8</td>
<td>Lecture 3 Durables (cont.)</td>
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<td>4/6</td>
<td>Lecture 4 Price Discrimination.</td>
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<td>4/13</td>
<td>Lecture 5 Price Discrimination.</td>
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<td>4/15</td>
<td>Lecture 6 Introduction to Game Theory.</td>
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<td>4/27</td>
<td>Lecture 9 Dynamic Games.</td>
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<td>4/29</td>
<td>Midterm</td>
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Final: 6/10 12-2pm (please verify I got it right).