Course Description:
The course is an application of market and price theory. It covers market definitions, market concentration, competition, entry deterrence, close-knit and loose-knit combination business practices, price leadership and discrimination, delivered pricing, fair trade; antitrust and other unfair competition and public policy. As time permits we also study the effectiveness of market institutions such as posted price, auctions, and private negotiation and the importance of information for these institutions.

Prerequisites:
Econ 5010, 5020 or equivalent.

Course Objective:
You will become familiar with the organization of markets with particular emphasis on the firm. You will learn how firms behave when competition is imperfect. At the graduate level you will be exposed to the literature on strategic behavior in markets. We will study how public policies have developed to control anticompetitive business behavior. We also study this policy for unregulated industries; this area of study is generally referred to as antitrust economics. Both fields have a large literature. In one semester we will have time to only touch on selected topics, become familiar with selected parts of the literature, and develop the basic economic theory.

Required Texts:

Recommended Readings:

The reading list provided below is designed to expose you to some of the literature. It is not all required reading. Required material that matches with the progression of lectures is provided as the course develops. It is important that you keep up with all the assigned readings. The texts in particular do an excellent job of exposing you to the basics. An optional text that provides an extensive survey of the literature is F.M Scherer and David Ross, *Industrial Market Structure and Economics Performance*, Houghton Mifflin, 1990.
Grading and Course Requirements:
There will be one midterm exam that will count 50 points toward your grade. Homework assignments will be given on a regular basis. These will collectively count 50 points toward your grade. A final exam will be given at the end of the semester; it will count toward 100 points of your grade. A ten page paper on a topic approved by the instructor is required. Possible topics analyze the market structure of an industry, review the literature on a particular topic, or extend the work of a paper you enjoyed reading. This is a wonderful opportunity that may lead to an M.S. thesis or Ph.D. dissertation. The paper counts up to 100 points of your grade. Final grades may have a plus (+) or minus (-) attached.

Attendance:
Attendance in all classes is required. In only rare cases are late papers accepted and make-up exams allowed.

Academic Dishonesty:
Also known as “cheating”, academic dishonesty will not be tolerated in this class. Cases of academic dishonesty will be prosecuted in accordance with UNIREG 802 Rev. 2. Cheating in this course can result in an “F” in the course. In this course, academic dishonesty includes (but is not limited to) unapproved assistance on examinations, copying the homework of others, plagiarism or other use of published materials without complete citations, or fabrication or referenced information.

Group work Guidelines:
Students are encouraged to work in study groups on homework assignments and in preparing for exams.

Disclaimer:
Changes in exam dates scheduled lecture topics and homework assignments may occur. The homework schedule is approximate. Changes will be announced in class.

1. Introduction

1.1 Overview of Industrial Organization

Tirole (Ch 1, Sec 1).


Shy (Ch 1).


1.2 Game Theory Basics in Industrial Organization

Tirole (Ch 11, Sec 1-3).

Shy, (Ch 2).
Gibbons (Chs 1-3).

2. Static Theories of Oligopoly

2.1 Quantity Competition

Tirole (Ch 5).


2.2 Price Competition with Homogeneous Products

Shy (Ch 6-7).

Tirole (Ch 2 and 7.1-7.2 and pp.205-208).


2.3 Oligopoly as a Game

Tirole (Ch 6).


3. Strategic Behavior

3.1 Monopoly and Entry Deterrence


Shy (Ch5).


Triole, (Chapter 1, 62-94).

3.2 Prices, Cost, and Entry Deterrence

Shy (Ch 8).


Tirole (Ch 8-9, pp. 305-388).

### 3.3 Product Differentiation


Shy (Ch 7 and 12).


### 3.4 Advertising and Information


Shy (Ch 11 and 16).


Tirole (Ch 2, pp. 95-132).


### 4. Collusion

#### 4.1 Tacit Agreement

Tirole (Ch 6).


**4.2 Hard-Core Cartels**


**5. Antitrust**

**5.1 Price Discrimination**


Shy (Ch 13 and 14).

Tirole (Ch 3, pp. 133-168).


### 5.2 Vertical Integration and Restraints


Tirole (Ch 4, pp. 169-203).


5.3 Multimarket Contact


5.4 Dominance


6. Additional Topics

6.1 Auctions


### 6.2 Negotiations


### 6.3 Experiments in Industrial Organization


