Syllabus: Industrial Organization, Spring 2013

Instructors: Özlem Bedre-Defolie & Paul Heidhues

Description: This course familiarizes students with classic questions and models in industrial organization. We first cover basic models of static as well as dynamic competition with applications to competitive strategy, mergers, collusion, managerial incentives, and trade policy. The course then analyzes in depth competitive strategies of vertical relations and control (B to B contracting) and introduces the extensive literature on two-sided markets. We also briefly discuss research on pricing when consumers violate classic assumptions on consumer behavior, e.g. erroneously analyze prices or contract offers.

Course Prerequisites: Students must have completed the first-year microeconomics sequence in the BDPEMS

Time and Location: Wednesdays and Fridays from 9am to 1pm at ESMT Schlossplatz 1, Room 00.21 (May 8: Room ‘Bookshop’)

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Grading: Students are required to hand in a term paper on one of the topics listed below. The term paper is either a literature review on the topic, focusing especially on the new contributions but putting them into a broader perspective, or an original research idea, including a formal example illustrating the potential for getting the hoped-for result in case of a theoretical contribution or specifying exactly regressions to be run and data availability for the project in case of an empirical project. The top grades are reserved for term papers including original research ideas.

Due Date: The term paper has to be handed in before July 15!

Potential paper topics:

- Vertical Restraints
- Entry Deterrence (other than Foreclosure)
- Foreclosure
- Horizontal Mergers
- Two-sided Markets
- Interconnected Networks / Access
- Consumer Protection and Hidden Fees
- Industry Dynamics
- Collusion
- Pricing with Unknown Demand
- Dynamic Price Discrimination
- Advertising
- Switching Costs and Competition

Literature: Good textbooks on basic models of industrial organization are:

- Belleflamme and Peitz (2009), Industrial Organization: Markets and Strategies

The following textbook introduces questions of antitrust and economic models of competition that have been written to answer them:


The following textbook highlights implications of various consumer biases on market outcomes:

- Spiegler, Ran (2011), Bounded Rationality and Industrial Organization
Preliminary Reading List:

Introduction

Required Readings:

- Motta (2004), Chapters 1 and 2.

Further Readings:


Single Market Oligopolies

Required Readings:

- Tirole (1988), Chapter 5 and parts of Chapter 8
- Kreps and Scheinkman (1983), Quantity Precommitment and Bertrand Competition yield Cournot Outcomes, Bell Journals of Economics 14(2), 326-337.

Further Readings:

Classics: Cournot, Bertrand, Edgeworth, Hotelling, Salop, van Stackelberg – see citations in Tirole.


Models of Collusion

Required Readings:

- Tirole, Chapter 6

Further Readings (still incomplete)


Vertical Contracting

A. Vertical Restraints and Coordination

A.1. Vertical restraints and intra-brand coordination

A.2. Vertical restraints and inter-brand coordination


B. Vertical Restraints and Entry Barriers


C. Vertical Integration and Foreclosure


Behavioral IO/ Contracting

Basic Reading:

- Spiegler (2011)

Further Reading (Still Incomplete):

Network Effects and Platform Competition

A. Two-sided Markets


B. Interconnected Networks


Tying and Bundling


