GOALS AND RULES

Industrial organization is the branch of economics that is about business firms and how they compete. The course examines the practices and strategies of firms in imperfectly competitive markets (which is to say most real markets). Course goals include:

- Strengthen analytical skills
- Understand business practices and strategies
- Understand why some firms and industries outperform others
- Appraise economic policies that affect how firms compete

The prerequisite for this course is intermediate microeconomics (ECON 3010 or equivalent).

Readings are assigned from Modern Industrial Organization (4th ed.) by Dennis Carlton and Jeffrey Perloff. This book is available at the University Bookstore. A shorter and less expensive option, also available at the University Bookstore, is a course pack that contains only those chapters of Carlton & Perloff that are assigned. Other course readings can be accessed via links in the syllabus. Reading assignments should be read, and web sites visited, before each class. A few of the lectures will follow the readings closely, but most of the readings are supplementary material. I will post slides from the lectures on the course web page.

Your grade is based on two exams (30% each) during the semester, a group presentation (15%), and homework and participation (15%). The remaining 10% is assigned to the higher of your two exam grades. (For example, if your exam grades are 76 and 84, the “76” exam counts 30 percent and the “84” exam counts 40 percent.) Exam dates are indicated in the schedule below.*

You will be assigned to a work group of about four students for the purpose of completing homework assignments. Homework assignments must be turned in at class time on the dates shown below. Each group will hand in one paper; individual papers are not accepted. You may collaborate freely with other students in working these assignments; this work is not pledged. Homework and participation grades are based on your group's cumulative score on homework assignments and your own participation, in part determined by other members of your group.

Your group also will organize a classroom presentation on an assigned topic near the end of the semester. Details to follow.

My office is 218 Monroe Hall. I hold regular office hours (first-come-first-seen) on Tuesdays from 3:00 until 5:00 PM. You can make an appointment to see me at other times if you have a conflict during these hours. Send e-mail to mills@virginia.edu.

* If you are unable to take either exam at the scheduled time because of illness or an emergency, and if you notify me of your situation (in advance unless it is an extreme emergency), I will allow you to take a cumulative make-up exam in lieu of the exam you miss. The makeup exam will be scheduled for a time after the Thanksgiving break.
SCHEDULE AND ASSIGNMENTS

I. COMPETITION, MARKET POWER & PROFIT

Aug. 25  Introduction

Aug. 27  Structure, Conduct & Performance


Sep. 1  Market Power


Sep. 3  Innovation & Creative Destruction

Read Carlton & Perloff, pp. 525–539 and 554—559 (Course pack pp. 275-289 and 304-309) and "Creative Destruction" The Weekly Standard, July 9, 2005

Sep. 8  Antitrust

Read Carlton & Perloff, ch. 19 (Course pack ch. 9)

Sep. 10  Regulating Natural Monopolies

Read Carlton & Perloff, pp. 104-105 and 682-706 (Course pack pp. 18-19 and 372-396)

Visit "How Electric Rates are Set in Virginia"

Turn in Homework No. 1

II. PRICING WITH MARKET POWER

Sep. 15  Price Discrimination

Read Carlton & Perloff, ch. 9 (Course pack ch. 4) and "Shopper Alert: Price May Drop for You Alone" New York Times, August 10, 2012

Sep. 17  Multi-Part Pricing

Read Carlton & Perloff, ch. 10 (Course pack ch. 5) and H.R. Varian "Differentiation of Products and Prices" pp. 12-21, The Economics of Information Technology Cambridge: Cambridge (2004)

Sep. 22  Pricing Discrete Choices


Turn in Homework No. 2
Sep. 24  Bundling

Read Carlton & Perloff, ch. 10 (Course pack ch. 5) and "Why Unbundling Cable Would Not Save You Money," New York Times, May 15, 2014

III. NETWORKS & PLATFORMS

Sep. 29  Network Effects


Oct. 1  Two-Sided Markets


Turn in Homework No. 3

Oct. 8  Exam No. 1

IV. OLIGOPOLY INTERACTIONS

Oct. 13  Oligopoly I (Bertrand)

Read Carlton & Perloff, pp. 160–176 (Course pack pp. 78-94) (Review A Primer in Game Theory as needed)

Oct. 15  Oligopoly II (Cournot)

Read Carlton & Perloff, pp. 160–176 (Course pack pp. 78-94)

Oct. 20  Cartels I

Read Carlton & Perloff, pp. 180-189 (Course pack pp. 98-107)

Oct. 22  Cartels II

Read Carlton & Perloff, pp. 379–387 (Course pack pp. 213-221), ch. 5 (Course pack ch. 2) and "Global Cartels Fixed Display Prices," Wall Street Journal, December 6, 2012

Oct. 27  Mergers I

Read Carlton & Perloff, pp. 20–29

Visit "U.S. Merger Metrics"

Turn in Homework No. 4

Oct. 29  Mergers II


Visit "Horizontal Merger Guidelines"
V. EXCLUSIONARY BEHAVIOR

Nov. 3  Deterring Entry

Read Carlton & Perloff, pp. 176–180 (Course pack pp. 94-98), ch. 11 (Course pack ch. 6) and "Letting Dentists Feel the Bite of Competition," Wall Street Journal, March 8, 2015

Visit France Cracks Down on Uber Service after Protests, BBC, June 26, 2015

Nov. 5  Predatory Pricing


VI. VERTICAL ARRANGEMENTS

Nov. 10  Vertical Integration

Read Carlton & Perloff, ch. 12 (Course pack ch. 7) and "Delta’s Oil Refinery Plan Flies against Economic Sense," Bloomberg.com, April 9, 2012

Turn in Homework No. 5

Nov. 12  Vertical Arrangements I


Nov. 17  Vertical Arrangements II

Read Carlton & Perloff, ch. 12 (Course pack ch. 7)

Visit Top Franchises

Nov. 19  Tying

Read Carlton & Perloff, ch. 12 (Course pack ch. 7) and B. Nalebuff, "Tying and the HILTI Case," DTI Econ Paper No. 1, Part 2 (2003) 17-21

Turn in Homework No. 6

Nov. 24  Exam No. 2

(Thanksgiving Recess)

VII. PRESENTATIONS

Dec. 1, Dec. 3, Dec. 8, Dec. 10
3.3 Industrial Organization Analysis. Industrial organization economists start with neither pro- or anticapitalistic assumptions, and instead seek first to define “who owns the media,” then analyze what economic conduct emerges from that industrial structure, then detail how the industry performs given specified criteria, and finally recommend possible public policy corrections to make the industry do “better.” Manual for industrial organization theory and applications. Copyright. Solution Manual "Industrial Organization Theory and Applications". Antwoordenboek Industrial Organization. Universiteit / hogeschool. Katholieke Universiteit Leuven. Vak. Theory of Industrial Organization (D0T31A). Nuttig? 15. Industrial Organization (IO) is the Study of the Structure and Dynamics of Markets. It examines the behavior of firms, the interaction between firms, and the overall market. The goal is to understand how market outcomes are determined and how they can be improved. The IJIO is an international venture that aims at full coverage of theoretical and empirical questions in industrial organization. This includes classic questions of strategic behavior and market structure. The journal also seeks to publish articles dealing with technological change, internal organization of firms, regulation, antitrust and productivity analysis. We recognize the need to allow for diversity of perspectives and research styles in industrial organization and we encourage submissions in theoretical work, empirical work. Research in the Industrial Organization (IO) programme covers. The Industrial Organization Programme is directed by: Gregory Crawford (University of Zurich). Andrea Prat (Columbia University).