INDUSTRIAL ORGANIZATION – MODULES 1-2, FALL 2021

Faculty of Economic Sciences
HSE University

BASIC INFORMATION

INSTRUCTOR'S NAME	Ekaterina Kazakova
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OFFICE LOCATION	Room S-444
OFFICE HOURS	Mondays, 18:00-19:30

GENERAL INFORMATION ABOUT THE COURSE

The course introduces the theory of industrial organization (IO) which focuses on the business behavior of firms, its implications for industry structures, and policies of industry regulation. More broadly, we look at imperfect competition and strategic interactions of firms in different sectors and explain differences across industries.

You will become familiar with the most important models of the industrial organization for understanding strategies chosen by firms to acquire and maintain market power. Theory is accompanied with discussion of real-world cases that shows you how to apply microeconomic reasoning and connect IO settings to practice.

Among possible strategies, we will discuss

- Pricing and production strategies;
- R&D: competition in innovations and cooperation;
- Informative and persuasive advertising strategies;
- Various anticompetitive practices: collusion, retail price maintenance, price discrimination, tying, exclusive clauses, predatory behavior and entry deterrence.

You will become familiar with the main (static and dynamic) models of monopoly and oligopoly, horizontal and vertical product differentiation, models of asymmetric information.

Moreover, we will analyze the industry structure and performance. You will study how to measure the market concentration and relate it to the level of competition. Particular emphasis will be given on the determinants and consequences of vertical and horizontal mergers. Throughout the course, we will always discuss possible ways of market regulation and related antitrust policies.

COURSE GOALS, LEARNING OBJECTIVES, EXPECTED LEARNING OUTCOMES

You are expected to acquire broad knowledge on the key topics and core models in theoretical industrial organization.

Moreover, this course improves your (micro-)economic reasoning and modeling skills, which, in particular, can be useful for writing your term papers and Bachelor theses involving analysis at the firm or industry level. Prerequisites: good understanding of Micro I and II.

COURSE OUTLINE

Course consists of 16 lectures and 12 seminar sessions. In the lectures, we will cover basic IO models and discuss the related real-life business cases. In each seminar, a group of students prepare a 20-minutes presentation of the paper related to a given topic. Overall, 11 papers are going to be presented. The rest of the seminar is devoted to solving theory tasks to the topic discussed in the preceding week. The goal of the problem sets is to make sure you understand and are able to work with modified (and simplified) versions of the canonical models we discussed during lectures. Accordingly, it is strongly recommended to solve all problem sets before coming to the seminar.

25%   Homeworks   The content of homework assignments will be mainly problem solving. Homework assignments will be posted 10 days in advance to the corresponding submission deadline. More information on the deadlines you can find in the LMS website and ekaterinakazakova.com.

25%   Term project   In the term project, students need to analyze the real antitrust case, law, or market event. Every student needs to find a suitable case to study and write an essay (15% of the final grade) about it in a question-answer form. In the last session, each student prepares a short 10-minutes presentation about selected case and its analysis.

10%   Quizzes   Every week, there will be a short online quiz which is aimed to test understanding of the basic concepts discussed in the *previous* lecture.

40%   Final exam   Final written exam consists of three parts: 20 true/false questions, 3 open questions related to the practical application of IO for industry analysis, and 2 theory problem.

№	Topic	Course format: lectures, seminars, consultations, workshops, etc. (in hours)	Readings and assignments
1.	Introduction	Lecture	
2.	Review of perfect competition and monopoly	Lecture	
3.	Review of game theory	Lecture + seminar	Problem set 1
4.	Static oligopoly	Lecture + seminar	Problem set 2 + Genesove & Mullin (1998, RAND)
5.	Dynamic oligopoly and collusion	Lecture + seminar	Problem set 3 + Bernheim & Whinston (1990, RAND)
6.	Pricing strategies	Lecture + seminar	Problem set 4 + Shiller & Waldfogel (2011, JIE)
7.	Product differentiation	Lecture + seminar	Problem set 5 + Smith & Brynjolfsson (2001, JIE)
8.	Advertising	Lecture + seminar	Problem set 6 + Ackerberg (2001, RAND)
9.	Patents and R&D	Lecture + seminar	Problem set 7 + Boone (2000, RAND)
10.	Imperfect information	Lecture + seminar	Problem set 8 + Gabaix & Laibson (2006, QJE)
11.	Network effects	Lecture + seminar	Problem set 9 + Ohashi (2003, JEMS)
12.	Vertical relations and integration	Lecture + seminar	Problem set 10 + Nocke & White (2007, AER)
13.	Horizontal mergers	Lecture + seminar	Problem set 11 + Farrell & Shapiro (1990, AER)
14.	Entry and market structure	Lecture + seminar	Problem set 12 + Goolsbee & Syverson (2008, QJE)
15.	Antitrust	Lecture	
16.	Review session	Lecture	

TEXTS, READINGS AND OTHER INFORMATIONAL RESOURCES

Lecture slides are posted in ekaterinakazakova.com (in the teaching section). Lectures are self-sufficient and presented by a convex combination of material from the following books:

- Paul Belleflamme and Martin Peitz, "Industrial Organization: Markets and Strategies".

- Luís Cabral, "Introduction to Industrial Organization".

- Oz Shy, "Industrial Organization: Theory and Applications".

- Jeffrey R Church and Roger Ware, "Industrial Organization: A Strategic Approach".

EXAMINATION/EVALUATION

To receive a passing grade, students should earn at least 35% of the maximum possible final grade.

There is a retake for the exam for students missing the first-take for a valid reason.

ACADEMIC INTEGRITY

The Higher School of Economics strictly adheres to the principle of academic integrity and honesty. Accordingly, in this course there will be a zero-tolerance policy toward academic dishonesty. This includes, but is not limited to, cheating, plagiarism (including failure to properly cite sources), fabricating citations or information, tampering with other students' work, and presenting a part of or the entirety of another person's work as your own. HSE uses an automated plagiarism-detection system to ensure the originality of students' work. Students who violate university rules on academic honesty will face disciplinary consequences, which, depending on the severity of the offense, may include having points deducted on a specific assignment, receiving a failing grade for the course, being expelled from the university, or other measures specified in HSE's Internal Regulations.

CHANGES TO THE SYLLABUS

Any changes to this syllabus will be announced in class and ekaterinakazakova.com.