



Industrial Economics

Class Meetings: Thursday 10-12, Room F21/03.81

Course Page: Material will be posted on Virtual Campus

Course Description:

The course “Industrial Economics” gives an introduction to a subfield of microeconomics that focuses on decisions taken by firms when transactions take place in markets. On these markets, firms respond to prevailing market conditions that affect the well-being of market participants.

The goal of this course is to analyze topics that are important for an understanding of such decision-making and firm behavior. Besides standard concepts such as price competition, product choice and market power, the course takes on topics such as free entry, switching costs, specific forms of price differentiation and bundling, asymmetric information, tying and platform markets.

An important tool used is game theory. Students should have a good grasp of microeconomics and mathematical tools such as calculus and partial derivatives. The integration of real-world cases in the course permits to focus on novel issues, such as competition policy in network markets, platform design, as well as pricing under asymmetric information.

Readings: We will be using “Industrial Organization: Markets and Strategies,” by Paul Belleflamme and Martin Peitz (2010), Cambridge University Press, ISBN 978-0-521-68159-9.

Problem Sets: I will assign a list of problems for the chapters that we will be in class during the weekends after a class meeting. Starting April 21, these problem sets should be solved in written form and turned in at the beginning of the tutorial. More details will be made available in April.

Slides: Lecture slides that will be used during class will be posted on Virtual Campus before class meetings.

Tentative Course Outline (incomplete and preliminary, to be updated every 3-4 weeks):

Topic	Chapter
Part I: Markets and Strategies	
Market Power, Strategies	1
Firms and Consumers	2.1
Market Interaction	2.2
Market Performance	2.3
Part II: Imperfect Competition	
Price Competition	3.1
Quantity Competition	3.2
Limited Capacity and Differentiated Products	3.3
Sequential Choice: Leaders and Followers	4.1
Extensions: Entry and monopolistic competition	4.2-4.3
Vertical Product Differentiation	5.3
Advertising and marketing strategies	6
Price Dispersion and Switching Costs	7.1-7.2
Part III: Price Discrimination and Menu Pricing	
Group Pricing and Personalized Pricing	8
Menu Pricing and Intertemporal Price Discrimination	9,10
Bundling, Tying, and Mixed Bundling	11
Part IV: Asymmetric Information	
Asymmetric Information Problems and Price Signals	12.1-12.2
Price Signaling	12.3
Basics of Warranties and Branding	13
Part V: Theory of Competition Policy	
Cartels, Collusion, and Tacit Collusion	14.1-14.2
Vertically Related Markets I: Double Marginalization	17.1
Vertically Related Markets II: Resale Price Maintenance and Exclusive Territories	17.2
Exclusive Dealing and extension	17.3-17.4
Part VI: Networks and Platforms	
Network Effects, Switching Costs, Network Goods	20
Choosing How To Compete	21.1
Strategies and Public Policy	21.2-21.3
Platform Markets I: Pricing in Two-Sided Platforms	22
Platform Markets II: Strategies, Quality, Competition	22.2
Extensions	TBA



Comments: This should be a first and preliminary outline, to be changed in due course of the lecture given the interaction in class. If we see that topics are well understood (e.g. oligopoly from some micro course you already had) we can cut some chapters short and move toward extensions to new IO topics in Part VI and/or in the field of competition policy. Goal would be to discuss some new theories or new antitrust cases in detail. There will be additional handouts on special topics that are not covered in the text.

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