

Part IIB Paper 9

Industrial Organization

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(Draft subject to change)

This course will cover the economic analysis of industrial organization in imperfectly competitive markets. Topics include market structure, firm pricing, and market entry.

Primary textbook: Belleflamme, P. and Peitz, M. (2010), *Industrial Organization: Markets and Strategies*. Cambridge University Press.

Lecture 1. Introduction and Static Imperfect Competition I

- Belleflamme, Ch. 2 and 3.1
- Market definition
- Bertrand competition

Lecture 2. Static Imperfect Competition II

- Belleflamme, Ch. 3.2 - 3.5
- Cournot competition
- Cournot competition and Bertrand competition with differentiated products.

Lecture 3. Dynamic aspects of imperfect competition I

- Belleflamme, Ch. 4.1 and 4.2
- Sequential choice: Stackelberg
- Free entry and endogenous number of firms

Lecture 4. Dynamic aspects of imperfect competition II

- Belleflamme, Ch. 4.3

- Bresnahan & Reiss (1991). Entry in concentrated markets. *Journal of Political Economy*
- Campbell & Hopenhayn (2005). Market size matters. *Journal of Industrial Economics*

#### Lecture 5. Product Differentiation I

- Belleflame, Ch. 5.1 & 5.2
- Horizontal product differentiation
- Hotelling's model.
- Salop's circular city model.

#### Lecture 6. Product Differentiation II

- Belleflame, Ch. 5.3 & 5.4
- Vertical product differentiation (quality differentiation).
- Empirical analysis of product differentiation

#### Lecture 7. Price Discrimination I

- Belleflame, Ch. 8
- First and third degree price discrimination.

#### Lecture 8. Price Discrimination II

- Belleflame, Ch. 9
- Menu pricing