

Syllabus

31E13000

Industrial Organization (Microeconomic Theory III) Spring 2019

Senior Lecturer Mikko Mustonen

Lectures: Monday 15-17 (A-304 Main building), Thursday 10-12 (A-304)

email: mikko.mustonen@aalto.fi

www.econ-hse.fi/mustonen

In this course, we analyze economic performance in imperfectly competitive markets. Strategic interactions between the participants in these markets are emphasized and a theoretical framework is laid out. Grading is based on a final examination (70%) and a mandatory participation in a strategy (oligopoly) game or an essay (20%) and exercises (10%).

The strategy game will begin at the second week of the course and go as long as it will go on. At the beginning of the course we will form management teams to all the firms in the game. The game is highly recommended, but it is possible to pass this part of the course with an essay (and less fun, say previous students). Unfortunately, the number of game participants may have to be limited. The instructions can be found at the course page. At the latter part of the course, there will be 2-3 home exercises.

The course textbook is 'Contemporary Industrial Organization: A Quantitative Approach' by Pepall, Richards and Norman 1st edition (PRN), 2011. Lecture notes and the book are your main references for the course. I recommend acquiring the book. It is fresh, contains numerous real-life examples and acts as a handbook to the field.

Additional material can be found in J. Tirole, The Theory of Industrial Organization, MIT Press, 1988 (Tirole). For a broader coverage of public policy issues, you may want to consult K. Viscusi, J. Vernon and J. Harrington, Economics of Regulation and Antitrust, 2nd ed., MIT Press, 1995. A new and comprehensive book, P. Belleflamme, M. Peitz, Industrial Organization, 2015 is an excellent source for another view on the issues.

LECTURES 1-4

1. Introduction

- Costs
- Strategy Game information

2. Monopoly and Market Power

3-4. Oligopolistic Markets

- Reminder of game theory
- Bertrand
- Cournot
- Product differentiation

LECTURES 5-9

5. Oligopoly issues

- Price discrimination in oligopoly
- Strategic commitments
- Monopolistic competition

6. Empirical research of market power, Guest Lecturer

7. Mergers – horizontal and vertical

8. Dynamic competition and cartels

9. Entry, accommodation and exit

LECTURES 10-12

10. Technological Change, R&D

11. Network industries, two-sided markets

12. Open Source, Property rights

Topics of lectures 10-12 subject to (small) changes, based on how the course advances and student interest.