Course description

Industrial organization (IO) is the field of economics that studies how firms interact with their environment – their customers, each other, regulations, and the government – and the outcomes these interactions lead to. Much of this area underpins classical topics in business strategy, quantitative marketing, and the law of business regulation. This course is designed to give you a foundation in the core topics of Industrial Organization, and give you a feel for how these topics map to applied business areas and areas of regulation. The topics covered include strategic pricing, maintenance of market power, illegal firm activity (such as collusion), managing supplier and retailer relationships and network effects. The primary aim is to develop a theoretical understanding of the economics underlying each area. Following that, some attention will be paid to mapping that theoretical structure to data and real world scenarios.

Prerequisites

Micro theory (Econ 101) and Macro theory (Econ 102). A good understanding of calculus is essential. Prior enrollment in econometrics will be helpful. As modern IO relies heavily on the use of game theory, easy facility with basic game theoretic concepts (definitions of a game, Nash equilibrium, subgame perfect equilibrium) covered in Econ 101 will be indispensable and expected.

Textbook and materials


2. Supplementary:

   • Pepall, L., D.J. Richards and G. Norman, Industrial Organization: Contemporary Theory & Empirical Applications, Wiley, 2008. (This book may be helpful if you find Shy a bit terse, it is also far more comprehensive).


To the limited extent that the course is based on a book, the Shy textbook is probably the closest to what is done in the class. That said, it is not ideal. Pepall et al. is a more comprehensive reference, but is a little more distant in style. Belleflamme and Peitz is more advanced. Many students do fine without a textbook.

Course materials (lecture slides etc.) will be posted to the course website as the course progresses. Only topics I cover in class will appear on exams.

Grading

• 5 Problem sets (5% in total, 1% each, full grade for a bona fide attempt)

• Midterm exam (30% or 0%)
• Final exam (60% or 90%)
• Participation (5%)

The midterm will be redemptive, in the sense that it will count toward 45% of your grade in the event that it increases your final grade. If not, the final will be worth 90%.

Participation is a good citizenship grade - if you are considerate of your classmates in class and think about the economics of a problem before sending an email or asking a question then you will get the full 5%.

Problem sets are due at the start of lecture, on the date indicated on the assignment sheet. I will not accommodate any late submission requests for any reason. Submission may be in the lecture or via email. If via email, the email must be date stamped prior to the START of the lecture.

The final exam will test you on the entire course material. I will not administer a make-up midterm or final exam except in the case of documented medical emergencies.

Office hours:
I will hold office hours on Tuesdays from 11am-12 Noon in my office Bunch 8351.

General policies:
Unless directly contradicted by this document, all policy is in accordance with the common syllabus for the UCLA Economics department, posted at: http://www.econ.ucla.edu/undergraduate/?p=commonsyllabus.

All re-grading applications must be made within two weeks of the date of the test that is to be re-graded.

Course Plan
(“Shy” refers to the relevant chapter in Shy)

1. Introduction, the firm
2. Perfect Competition (Shy 4)
3. Monopoly (Shy 5, Shy 13, Shy 14)
   • basics
   • price discrimination
   • bundling
   • durable goods
4. Static oligopoly (Shy 6)
5. Dynamic oligopoly and collusion (Shy 6)
6. Product differentiation (Shy 7)
7. Entry (Shy 8)
8. Network effects (Shy 10)
9. Vertical relationships (Shy 14)
10. Information and advertising (Shy 11, Shy 12)
11. Antitrust and mergers (Shy 1)
Student Information Sheet
(please fill out this page and return by the end of class)

Name:

UCLA Student Number:

E-mail address (please PRINT):

Year (Fr/So/Jr/Sr/Grad):

Major(s):

Have you taken (Y or N):

Econ 101 & 102:

Econometrics (Econ 103):

Game theory (Econ 106G or similar):

What do you expect to get out of this course?