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 (but are not limited to) strategic pricing, maintenance of market power, illegal firm activity (such as collusion), and managing supplier and retailer relationships. 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) is required. A good understanding of calculus is essential. Prior enrollment in econometrics can be helpful, but is not necessary. 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

There is no ideal textbook for this course. Below I have listed two texts that I find useful, but any textbook on Industrial Organization is pretty much equally good. You will find that about 50-60% of topics can be found in textbooks in roughly similar ways to how they are covered in class. My advice is to not buy a text, and borrow one from the library if you think it might be helpful. If you do buy a book, get it second hand.


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 (more so in the first half of the course). That said, it is not that great. Pepall et al is a more comprehensive reference, but is a little more distant in style.

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 – this means you need to have shown you have thought about it, you do not need to have all the answers perfectly worked out. If you spend more than 3-4 hours on a problem set, you have definitely done enough and should just write up what you have done and hand it in.)
• Midterm exam (45% or 0%)
• Final exam (45% 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 time/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 Weds 9-10AM in Bunche 2249

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
4. Static oligopoly (Shy 6)
5. Dynamic oligopoly and collusion (Shy 6 covers some elements)
6. Antitrust and mergers (Shy 1 covers some elements)
7. Vertical relationships (Shy 14 covers some elements)
8. Additional topics that may be covered if time permits:
   • Product differentiation (Shy 7)
   • Entry (Shy 8)
   • Econometric techniques and quantitative modelling