

Industrial Organization

Winter School @ Fudan SOE 2022

Course Code	ECON2170015		
Course Title	Industrial Organization		
Credit	3	Credit Hours	48 credit hours
Course Objectives	Industrial organization is about the study of firms in markets. Industrial organization focuses on firm behavior in imperfectly competitive markets, which appear to be far more common than the perfectly competitive markets that were the focus of your basic microeconomics course. This field analyzes the acquisition and use of market power by firms, strategic interactions among firms, and the role of government competition policy.		
Course Description	The course will address topics and questions such as: <ul style="list-style-type: none"> • What are the Industries and Markets? What are the unilateral exercises of market power? • How can firms use nonlinear pricing schemes to increase profits? • How do contractual relations between firms affect prices, profits, and welfare? • How does the non-price competition between firms affect prices, profits, and welfare? • When and how should government intervene in markets and implement the industrial policy? 		
Course Requirements: The students are expected to learn from the abstract theorem to the empirical analysis and case study, build up the connection between the economic theory and real-life observations and master independent research skills to explain economic phenomena in the real-life setting.			
Prerequisites: Intermediate Microeconomics			
Teaching Methods: We will approach these subjects from both theoretical and applied perspectives: Theory, Empirical Application and Case Study.			
Course Schedule			

Class #	Time	Date	Topic	Reading	Assignments
1			Part I: Industrial Organization: Overview	PRN 1	
2			Part I: Industry and Market	Handout	
3			Part II: Price discrimination I	PRN 5	
4			Part II: Price discrimination II	PRN 6	
5			Part III: Static Games & Cournot Competition	PRN 9	
6			Part III: Bertrand Competition	PRN 10	
7			Part III: Dynamic Games	PRN 11	PS1 due
8			Part IV: Horizontal Merger	PRN 15	
9			Part IV: Vertical and Conglomerate Merger	PRN 16	
10			Part V: Research and Development	PRN 20	
11			Case Study Presentation		PS2 due
12			Case Study Presentation		
13			Final Exam		

The design of class discussion or exercise, practice, experience and so on:
The course will combine the basic theoretical analysis with several case studies. For example,
Part II: Price discrimination
Case Study1: Is the price in my shopping app the same as others'? First degree price discrimination
Case Study2: Is student discount a real discount? Third degree price discrimination

Part IV:
Case Study1: Why can Didi and Uber merge in China? Horizontal Merger
Case Study2: Why does Alibaba take over OFO? Conglomerate Merger

Grading & Evaluation:
Grades: 100points
Final Exam (Open Book, 24 hours): 40%
Case Study and Group Presentation: 60%
*Case Study: Provide the background for the case you are interested in, Identify the basic IO concepts, Use the basic model or rationale learned in this class to analyze this specific case you have chosen. 20-30mins group presentation.

Teaching Materials & References:
Textbook:
Pepall, Lynne, Dan Richards and George Norman (PRN). "Industrial Organization: Contemporary Theory and Empirical Applications." Wiley, April 2014
Porter, Michael E. "On Competition." Harvard Business School Press, October, 1998
Additional Reference:
Shy, Oz. "Industrial Organization: Theory and Application." MIT, 1996