

## International Economics

Academic year 2020-2021

## Industrial Organisation

### EI092 - Autumn - 6 ECTS

Friday 14h15 - 16h00

## Course Description

This course focuses on the economics of industry. After a brief introduction to game theory, focusing on concepts commonly used in industrial organisation, we discuss static and dynamic aspects of imperfect competition and the sources of market power. We then study price discrimination and the economics of networks and platforms. For each topic, the course will consider the main theoretical developments as well as applications. We will use the textbook "Industrial Organisation. Markets and Strategies" by P. Belleflamme and M. Peitz (CUP, 2015) as the main reference.

## > PROFESSOR

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## > ASSISTANT

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## Syllabus

### 1. Introduction to Game Theory – Static games of complete information

- Game in normal form, matrix representation
- Iterated elimination of dominated strategies
- Rationalizability
- Nash equilibrium
- Mixed strategies

Tadelis, S. Game theory, An Introduction, Princeton University Press, 2013. – Chapters 3,6  
Alternatively (less advanced), Gibbons, R., A primer in game theory, Prentice Hall, 1992, Chapter 1

### 2. Introduction to game theory – Dynamic games of complete information

- Extensive form
- Credibility and sequential rationality
- Multi-stage games
- Repeated games

Tadelis, S. Game theory, An Introduction, Princeton University Press, 2013. – Part III  
Alternatively, Gibbons, R., A primer in game theory, Prentice Hall, 1992, Chapter 2

### **3. Introduction to game theory – Static games of Incomplete information**

- Bayesian games
- Auctions
- Mechanism design

Tadelis, S. Game theory, An Introduction, Princeton University Press, 2013. – Part IV  
Alternatively, Gibbons, R., A primer in game theory, Prentice Hall, 1992, Chapter 3

### **4. Dynamic games of incomplete information**

- Sequential rationality
- Perfect bayesian equilibrium
- Signalling games
- Reputation

Tadelis, S. Game theory, An Introduction, Princeton University Press, 2013. – Part V  
Alternatively, Gibbons, R., A primer in game theory, Prentice Hall, Chapter 4

### **5. Static imperfect competition**

- Cournot
- Bertrand
- Limited capacity and price competition
- Strategic substitutes and complements

Belleflamme and Pleitz, Industrial Organisation, Cambridge University Press, 2015, Chapter 3

### **6. Product differentiation**

- Horizontal differentiation ; Hotelling and Salop models
- Vertical differentiation
- Natural oligopolies
- Empirical analysis of product differentiation

Belleflamme and Pleitz, Industrial Organisation, Cambridge University Press, 2015, Chapter 5

### **7. Consumer inertia**

- Uninformed consumers and search costs
- Switching costs

Belleflamme and Pleitz, Industrial Organisation, Cambridge University Press, 2015, Chapter 7

### **8. Price discrimination - Group pricing**

- Search costs
- Switching costs

Belleflamme and Pleitz, Industrial Organisation, Cambridge University Press, 2015, Chapter 8

## **9. Price discrimination – Menu pricing**

- Menu pricing in monopoly
- Menu pricing and competition

Belleflamme and Pleitz, Industrial Organisation, Cambridge University Press, 2015, Chapter 9

## **10. Strategic incumbents and entry**

- Taxonomy of entry deterrence
- Strategies affecting costs
- Strategies affecting demand

Belleflamme and Pleitz, Industrial Organisation, Cambridge University Press, 2015, Chapter 16

## **11. Networks**

- Direct and indirect network effect
- Market for a single network good
- Market for several network goods

Belleflamme and Pleitz, Industrial Organisation, Cambridge University Press, 2015, Chapter 20-21

## **12. Strategies for network goods**

- Standardization
- Standard wars
- Public policy in network markets

## **13. Market intermediation and platforms**

- Intermediaries as dealers
- Intermediaries as match makers
- Intermediaries as two-sided platforms

Belleflamme and Pleitz, Industrial Organisation, Cambridge University Press, 2015, Chapter 22

## **14. Exam**