

ECON5480A – INDUSTRIAL ORGANIZATION
2021 Spring
Travis Ng
THUR 13:30-16:15 at Online for now

I. COURSE DESCRIPTION

The half course provides an overview of selected topics in industrial organization. It emphasizes theoretical IO, but students should bear in mind that empirical IO is equally important. All the theories derived in IO in particular, or in economics in general, should aim at deriving empirical implications testable with relevant data.

II. ASSESSMENT

- [i] A presentation of an antitrust issue (30%)
- [ii] In-class participations and discussions (10%)
- [iii] A summary (10%)

III. MATERIALS

- [1] **Tirole, Jean**, 1988. *The Theory of Industrial Organization*. Cambridge, MA: MIT Press.
- [2] **Church, Jeffrey, and Roger Ware**. 1999. *Industrial Organization: A Strategic Approach*. Homewood, Ill: Irwin McGraw-Hill.
- [3] **Davis, Peter, and Eliana Garcés**. 2009. *Quantitative Techniques for Competition and Antitrust Analysis*, Cambridge, MA: MIT Press.

IV. LEARNING OUTCOMES

Having completed ECON5480, students are expected to:

1. Be familiar with the concepts concerning antitrust
2. Understand the contradictory judgments from antitrust across jurisdictions and time
3. Be familiar with the core concepts of firm organizations
4. Be able to ask meaningful research questions in the area of antitrust/I.O.

V. CALENDAR OF THE COURSE

Wk1	Jan 14	Intro of IO, antitrust law, and antitrust research
Wk2	Jan 21	Theory of the firm
Wk3	Jan 28	Firm's legal aspects
Wk4	Feb 4	Monopoly and measurement
Wk5	Feb 11	HOLIDAY
Wk6	Feb 18	Vertical Control I
Wk7	Feb 25	Vertical Control II
Wk8	Mar 4	Class presentations

VI. A list of possible antitrust issues for presentations

Tying/tie-in; slotting fees; refusal to deal; most favored clause; price discrimination; market share discount; margin squeeze; foreclosure; below-cost pricing; exclusive dealing; market allocation/division; vertical integration; state aid; exclusive territories; excessive pricing; etc.

V. READING LIST

This list is not intended to be exhaustive. It highlights some of the important literature on the specific topics. Do explore deeper in the literature as you venture the topic for your own.

A. Theory of the firm

Tirole, Chapter 0.

Suggested Readings:

Coase, Ronald H. 1937. "The Nature of the Firm." *Economica*, 4(16): 386-405.

Hansmann, Henry B., Reinier Kraakman, and Richard Squire. 2006. "Law and the Rise of the Firm." *Harvard Law Review*, 119: 1333-1403.

Hansmann, Henry. 2012. "Ownership and Organizational Form." In *Handbook of Organizational Economics*, edited by Robert Gibbons, John Roberts, Chapter 22, 891-917

Fama, Eugene F, and Michael C. Jensen. 1983. "Separation of Ownership and Control." *Journal of Law and Economics*, 26(2): 301-25.

Fama, Eugene F. 1980. "Agency Problems and the Theory of the Firm." *Journal of Political Economy*, 88(2): 288-307.

Jensen, Michael C., and William H. Meckling. 1976. "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure." *Journal of Financial Economics*, 3(4): 305-360.

Manne, Henry G. 1965. "Mergers and the Market for Corporate Control." *Journal of Political Economy*, 73(2): 110-120.

Grossman, Sanford J., and Oliver D. Hart. 1986. "The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration." *Journal of Political Economy*, 94(4): 691-719.

Whinston, Michael D. 2003. "On the Transaction Cost Determinants of Vertical Integration." *Journal of Law, Economics and Organization*, 19(1): 1-23.

Alchian, Armen A, and Harold Demsetz. 1972. "Production, Information Costs, and Economic Organization." *American Economic Review*, 62(5): 777-95.

B. Vertical Control

Tirole, Chapter 4.

Suggested Readings:

Winter, Ralph A. 1993. "Vertical Control and Price versus Nonprice Competition." *Quarterly Journal of Economics*, 108(1): 61-76.

Mathewson, Frank, and Ralph Winter. 1998. "The Law and Economics of Resale Price Maintenance." *Review of Industrial Organization*, 13(1-2): 57-84.

Bernheim, B. Douglas, and Michael D. Whinston. 1998. "Exclusive Dealing." *Journal of Political Economy*, 106(1): 64-103.

Mathewson, Frank, and Ralph Winter. 1994. "Territorial Restrictions in Franchise Contracts." *Economic Inquiry*, 32(2): 181-92.

Rey, Patrick, and Jean Tirole. 2011. "Primer on Foreclosure." In *Handbook of Industrial Organization*, ed. Mark Armstrong and Robert Porter, Vol. 3, Chapter 7, Amsterdam, North-Holland.

Klein, Benjamin, Robert G. Crawford, and Armen A. Alchian. 1978. "Vertical Integration, Appropriable Rents, and the Competitive Contracting Process." *Journal of Law & Economics*, 21(2): 297-326.

Dennis W. Carlton, Joshua S. Gans and Michael Waldman. 2010. "Why Tie a Product Consumers Do Not Use?" *American Economic Journal: Microeconomics*, 2(3): 85-105.

C. Monopoly

Tirole, Chapter 1

Suggested Readings:

- Coase, Ronald H.** 1972. "Durability and Monopoly." *Journal of Law & Economics*, 15(1): 143-49.
- Bulow, Jeremy I.** 1982. "Durable-Goods Monopolists." *Journal of Political Economy*, 90(2): 314-332.
- Maskin, Eric, and John Riley.** 1984. "Monopoly with Incomplete Information." *RAND Journal of Economics*, 15(2): 171-196..
- Demsetz, Harold.** 1968. "Why Regulate Utilities?" *Journal of Law and Economics*, 11(1): 55-65.