UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Industrial Economics

2021-3-E4101B023

Learning objectives

This course aims at investigating the relevant economic aspects related to industrial structures and firms competition. In particular, we will study various economic phenomena, e.g. price wars, collusion, product differentiation, entry deterrence, M&A. The students will be able to understand the characteristics of market structures and the relationship among market structures, firms behavior and consumers surplus. The course will present and discuss models, cases and exercises.

Contents

1) Introduction

2) Market structures

3) Price competition and collusion

4) Product differentiation

5) Market structure and market power

6) Entry deterrence

7) M&A

Detailed program

1) Introduction

- Microeconomics tools.

Books:

- Cabral, Cap. 1, 2, 3

- Garavaglia, Cap. 1 (to be announced)

2) Market structures

- Monopoly and perfect competition

- Bertrand and Cournot oligopoly

Books:

- Cabral, Cap. 4, 5, 8

- Garavaglia, (to be announced)

3) Price competition and collusion

- Beyond the "Bertrand paradox"

Books:

- Cabral, Cap. 9

- Garavaglia, (to be announced)

4) Product differentiation

- Horizontal product differentiation strategies

- Advertising

Books:

- Cabral, Cap. 14

- Garavaglia, (to be announced)

5) Market structure and market power

- Cournot model with n firms

Books:

- Cabral, Cap. 8, 10

- Garavaglia, (to be announced)

6) Entry deterrence

- Entry cost and market structure

- Barriers to entry

Books:

- Cabral, Cap. 12

- Schmalensee R., "Entry Deterrence in the Ready-to-Eat Breakfast Cereal Industry", *Bell Journal of Economics*, 9, 1978, pp. 305-310; (paragrafi 3.1.1, 3.1.3, 3.2, 3.2.1, 3.4, 3.6.1, 3.7, 5)

- Garavaglia, (to be announced)

7) M&A

- Antitrust

- Case study: Heineken-Birra Moretti

Books:

- Cabral, Cap. 11

- *"*Il caso Heineken-Birra Moretti*"*, Procedimento C2347, Heineken Italia/Birra Moretti, AGCM, 22/05/1996:

    * Avvio Istruttoria: Punti 1, 2, 3, 4, 10, 15, 16, 17, 18, 19, 20, 25, 26, 27

    * Chiusura Istruttoria: Punti 8, 9, 23, 34, 36, 37, 38, 40, 42, 43, 44, 45, 46, 47, 49, 50

    * Rigetto Istanza: Tutto

- Garavaglia, (to be announced)

Prerequisites

Microeconomics

Teaching methods

During the Covid-19 period, lessons will be recorded and uploaded in e-learning.

Assessment methods

Written exam: open questions and exercises to verify the comprehension of strategic interaction among firms and the characteristics of market structure. The student can also add an oral exam (in this case, please study these further readings: Sutton (1991), Sunk Costs and Market Structure; Phlips (1998), Applied Industrial Economics; Garavaglia e Swinnen (2018), Economic Perspecticìves on Craft Beer).

During the Covid-19 period, the exams will be taken using WebEx (see the e-learning page).

Textbooks and Reading Materials

- Cabral L., *Economia Industriale*, Carocci, 2018

- Garavaglia C., Economia Industriale*: Esercizi*, Carocci, 2019

- The teacher will provide more reading materials online

Semester

October-November

Teaching language

Italian