UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Industrial Organization

2425-2-F5602M014

Learning objectives

The Industrial Organization course is an up-to-date (and advanced) introduction to modern industrial economics. That is, it is a course of applied microeconomics providing the economic tools needed to understand the behaviour of firms endowed with market power. In particular, it studies the so-called "marketing-mix" strategies of firms, i.e., the Pricing, Product and Promotion (plus Place, that is distribution) choices within imperfectly competitive markets and asks: how do firms with market power choose strategies and adapt to different market environments? What are the welfare consequences of these strategies for market participants? Which way do competition policies affect them? It is theory driven and it offers a rigorous presentation that aims to blend theory with real-world applications (a number of policy cases are briefly discussed).

To go through the exercises at the end of each chapter of the textbook is a fundamental learning step (they are discussed within the class and solutions are also provided at the end of the textbook).

Contents

The course aims to provide an extensive and up-to-date introduction to modern industrial organization, within the time limits imposed by a semester of teaching.

Detailed program

- Consumer behaviour: demand systems (substitutes and complements) and welfare measures.
- Firms in perfectly competitive markets and monopoly behaviour.
- Static Imperfect Competition: duopoly/oligopoly price (Bertrand) and quantity (Cournot) setting, strategic complements vs strategic substitutes.

- Aspects of Dynamic Imperfect Competition: Stackelberg models, leaders vs followers, first or second-move advantages, monopolistic competition and entry.
- Sources of Market Power: horizontal (Hotelling) vs vertical product differentiation, and variety differentiation.
- Endogenous entry costs, market concentration and natural oligopoly.

Prerequisites

It is important that students are familiar with microeconomic thinking and elementary methods of algebra, calculus and game theory. The ideal student should have already taken an industrial economics course at the undergraduate level.

Teaching methods

Conventional lectures.

Assessment methods

Written final test (two exercises and one open question). No partial/intermediate exams.

Textbooks and Reading Materials

Paul Belleflamme and Martin Peitz, *Industrial Organization- Markets and Strategies*, Cambridge University Press, (second edition) 2015, chapters 1-5 (except section 5.4). chapter 6: sections 6.1 and 6-2 (up to p. 145).

Semester

First Semester

Teaching language

English

Sustainable Development Goals

INDUSTRY, INNOVATION AND INFRASTRUCTURE