

# Markets and Organizations

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This course combines an overview of the classical topics in industrial organization and a discussion of some recent developments, particularly in relation to the digital economy. Due to the lack of a comprehensive model, we shall cover different applications that study pricing and product decisions, as well as some other the strategic decisions of firms related to entry and exit in a market or the effects of platforms and advertising policies. The theoretical models discussed in this course will be related to the existing empirical evidence.

Further additional information including solutions to the problem sets will be available in the Moodle page of the course.

The following books are the main bibliographic references:

- Tirole, J. (1988), *The Theory of Industrial Organization*, MIT Press.
- Belleflamme P. and M. Peitz (2015), *Industrial Organization: Markets and Strategies*, Second Edition, Cambridge University Press.

Other useful references are:

- Vives, X. (1999), *Oligopoly Pricing: Old Ideas and New Tools*, MIT Press.
- Belleflamme P. and M. Peitz (2021), *The Economics of Platforms: Concepts and Strategy*, Cambridge University Press.

**Grading:** 70% of the grade is based on the final exam. Problem sets have a weight of 25% and the remaining 5% is based on class participation. Students must hand in the complete solutions for each of the (almost weekly) problem set assignments. One exercise will be graded from each of them.

# Program

1. Introduction: Partial Equilibrium Analysis [Week 1].
  2. Monopoly and Oligopoly Pricing (Tirole (ch. 1 & 5)) [Week 1-2].
    - (a) Monopoly Pricing,
    - (b) Pricing under Competition,
    - (c) Capacity Decisions.
  3. Product Differentiation (Tirole (ch. 7), Belleflamme and Peitz (ch. 5)) [Week 3-4].
    - (a) Horizontal Differentiation: The Linear city, The Circular city, and Monopolistic Competition,
    - (b) Vertical Differentiation.
- Additional References:
- Bresnahan, T. (1987): “Competition and Collusion in the American Automobile Industry: The 1995 Price War,” *The Journal of Industrial Economics*, XXXV, pp. 457-482.
4. Personalized Pricing (Tirole (ch. 6)) [Week 5-7].
    - (a) Direct vs Indirect Price Discrimination,
    - (b) Information Gathering and Privacy,
    - (c) Dynamic Pricing. Durable Goods.
  5. Consumer Search, Advertising, and Platforms (Belleflamme and Peitz (ch. 7 and 22))[Week 7-8].
    - (a) Search Models,
    - (b) Advertising,
    - (c) Two-Sided Markets.
  6. Entry, Exit, and Predation (Tirole, (ch. 8)) [Week 9-10].
    - (a) Exit in Declining Industries,
    - (b) Barriers to Entry and Predation,
    - (c) Reputation Models.