

Lecturer: Hernán Vallejo (W-917) hvallejo@uniandes.edu.co
Class schedule: Tuesday and Thursday from 10:00 a.m. to 11:20 a.m. (R-109)
Office hours: Tuesday from 3:00 p.m. a 5:00 p.m. or with previous appointment

Assistant: Andrés Felipe Sánchez af.sanchez368@uniandes.edu.co

1. Objectives

This course introduces the fundamental concepts of the theory of industrial organization, to study specific aspects of market structures and the roles of dominant firms, marginal firms and information technology. The course also covers key features of the behavior of the firms including price discrimination, horizontal and vertical product differentiation, bundling, advertising, and research and development. Finally, the course focuses on policy theory and practice, including regulation, competition policy, trade policy and industrial policy both in Colombia and abroad. The course considers both theory and evidence, uses case studies and explores well known debates on industrial organization.

The course lectures and materials will be provided in English, but students will be allowed to hand their written work in either English or Spanish.

2. References

a. Textbook:

Carlton, D. y J. Perloff (2004) "Modern Industrial Organization", Fourth Edition, Addison Wesley.

b. Other references on Industrial Organization:

Cabral, L. (2000). "Introduction to Industrial Organization", MIT Press.

Shy, O (1996), "Industrial Organization: Theory and Applications", MIT Press.

Williamson, O. E. (1990) "Industrial Organization", Edward Elgar.

c. Advanced reference on Industrial Organization:

Tirole, J. (1988) "The Theory of Industrial Organization", MIT Press.

d. Articles and academic papers:

Hausman, R. y D. Rodrik. (2006). "Doomed to Choose: Industrial Policy as a Predicament" Harvard University mimeo (<http://ksghome.harvard.edu/~drodrik/doomed.pdf>)

Vallejo, H. (2007) "A generalized index of market power" en Revista de Economía del Rosario, Vol. 10, No. 1, July.
(<http://econpapers.repec.org/article/col000151/004422.htm>)

Vallejo, H. (2006) "A Theory of Natural Market Structures: Regulation, R&D, FDI, International Trade and a few Curiosities" Documento CEDE 2006-09.
(<http://econpapers.repec.org/paper/col000089/001936.htm>)

e. Videos:

Steel, C. (2009) "How food shapes our cities"
(http://www.ted.com/talks/carolyn_steel_how_food_shapes_our_cities)

Schwartz, Barry (2005), "The paradox of choice" TEDGlobal 19:37, filmed July
(www.ted.com/talks/barry_schwartz_on_the_paradox_of_choice)

3. Contents

a. Introduction

July 28: Program.

July 30: Introduction to Industrial Organization (C&P Chap. 1).

b. Topics on Market Structure

August 4: Topics on the Theory of the Firm (C&P Chap. 2)*.

August 6: Topics on the Theory of the Firm (C&P Chap. 2).

Problem Set 1: Topics on the Theory of the Firm

August 11: Topics on Perfect Competition (C&P Chap. 3).

August 13: Topics on Monopolies, Monopsonies and Dominant Firms (C&P Chap. 4).

Problem Set 2: Topics on Perfect Competition

August 18: Topics on Monopolies, Monopsonies and Dominant Firms (C&P Chap. 4).

August 20: Topics on Cartels (C&P Chap. 5) * •.

August 25: Topics on Oligopoly (C&P Chap. 6).

August 27: Topics on Monopolistic Competition (C&P Chap. 7) *.

Problem Set 3: Topics on Monopoly and Oligopoly

September 1: Vertical Product Differentiation Model

September 3: Generalized Partial Equilibrium Model (Vallejo y C&P Chap. 8).

Problem Set 4: Topics on Monopolistic Competition

September 8: Generalized Partial Equilibrium Model (Vallejo y C&P Chap. 8).

c. Business Practices: Strategies and Conduct

September 10: Price Discrimination (C&P Chap. 9).

September 15: First Partial Evaluation

September 17: Correction of First Partial Evaluation.

September 22 al 26: Academic Recess

September 29: Fusions, Acquisitions and Restrictions (C&P Chap. 12) * ●.

October 1: Advertising and Revelation (C&P Chap. 14) *.

Problem Set 5: Price Discrimination

October 6: Information Technology (C&P Chap. 15) * ●.

October 8: Patents and Technological Change (C&P Chap. 16).

Problem Set 6: Advertising

October 13: Micro Fundamentals of Price Rigidities (C&P Chap. 17) *.

d. Industrial Organization Policy: Theory and Practice

October 15: Regulation and Deregulation (C&P Chap. 20) * ●.

Problem Set 7: Information Technology and Technological Change

October 20: Anti-Trust Policy and Competition Law (C&P Chap. 19) *.

October 22: Industrial Policy (Hausman y Rodrik)

Problem Set 8: Competition and Industrial Policy

October 27: International Trade Policy (C&P Chap. 18).

October 29: Industrial Policy in Colombia and Abroad (Hausman y Rodrik) * ●

November 3: Harvard Study Case Debate: "Regulating Broadband in Chile: The Debate Over Open Access".

November 5: Invited Speaker on Policy and Industrial Organization

November 10: *Second Partial Evaluation.*

November 12: Correction of the Second Partial Evaluation.

4. Methodology

There will be two one hour and a half theory classes with the lecturer each week, and eight one hour and a half problem set sessions throughout the semester and one debate with the assistant. Concepts, models and basic instruments will be introduced in the classes, while problems and exercises on the material covered will be solved in the problem set sessions.

5. Competencies

In this course several competencies are applied and developed, among which, the following can be highlighted:

- a. The simplifying role of formalization: the course makes intensive use of formal modelling in different economic contexts, including perfect and imperfect competition, and economic theory and economic policy.
- b. Recognizing the role of Government: More than a third of the course will be dedicated to the study of the role of policy in improving the way different markets work, and to the analysis of the areas in which Government intervention can be beneficial or not, from the welfare point of view.
- c. Develop a critical mind: This course deals with hotly debated topics and tries to stimulate the development of critical thinking, making emphasis on the strengths and weaknesses of economic models, and the insights and voids in news and public debates about industrial organization.

6. Evaluation system

The grades of the Course will be obtained from 2 partial evaluations and a final exam. There will also be ten quizzes at the beginning of the corresponding class (signaled with an *), from which five will be chosen by a draw (in the dates signaled with a ●). The percentages that will be used to obtain the final grade in the course are:

Quizzes	20%
Debate	5%
First partial evaluation:	25%
Second partial evaluation:	25%
Final exam:	25%

Work on problem sets will also be graded with four random quizzes in the problem set sessions during the semester. However, such work is optional and will only determine the magnitude of a bonus of up to 0.2 over the total grade of the course (that would correspond to a grade of 5.0 in the problem set sessions).

This Course will have minimum grade guarantee as follows: if the average of the final grade of the course is less than 3.75, all final grades will increase in the same amount so that the average grade of the course is 3.75. If the average grade of the course is more than 3.75, there will be no curve. When the 30% (or more) of the grades is published, if the average of the grades of the course is less than 3.75, all grades will increase in the same amount so that the average grade of the course is 3.75. If the average grade of the course is more than 3.75, there will be no curve.

If there is a mistake in the grades, it will be fixed. But only written complaints will be accepted during eight (8) working days following the date in which graded material is made available to the students and announced in class and/or through e-mail. In the case of partial evaluations, only complaints from students who attend the correction of the partial evaluation questioned will be accepted. In order to avoid unjustified complaints, if a given grade is above the appropriate grade, the grade may be adjusted downwards with regard to the initial grade given.

If a student cannot present a partial evaluation or the final exam, only medical excuses verifiable by the Department of Economics will be accepted. If an excuse is accepted by the Department, the grade in the missed evaluation will be obtained according to the relative performance of the student in the rest of the evaluations of the course.

The final grades of the course will have no approximations at the end of the semester.

7. Miscellaneous

The use of computers, tablets, cellphones, smartphones and other electronic devices that allow multitasking is not permitted in this class. All electronic devices that fit into this category must be turned off before entering the classroom, and remain off until the class is finished and the student leaves the classroom.