

Basic Information

Lecturer: Hernán Vallejo (hvallejo@uniandes.edu.co)

Class Schedule: Tuesday from 11:00 a.m. to 12:20 p.m. (AU-107)

Thursday from 11:00 a.m. to 12:20 p.m. (AU-107)

Office Hours: Wednesday from 3:30 p.m. to 4:50 p.m. or with previous appointment (W-917).

Assistant: Santiago Neira (s.neira10@uniandes.edu.co)

Class Schedule: Monday from 3:30 p.m. to 4:50 p.m. (TBA)

Office Hours: Wednesday from 5:00 p.m. to 5:50 p.m. or with previous appointment (W-815).

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

2.1 Textbook:

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

2.2 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.

2.3 Advanced References on Industrial Organization:

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

2.4 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, RD, FDI, International Trade and a few Curiosities” Documento CEDE 2006-09. (<http://econpapers.repec.org/paper/col000089/001936.htm>).

2.5 Videos

Bauman, Yoran (2011) “Principles of economics, translated” (<https://www.youtube.com/watch?v=7u60s0TDR6o>).

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

3.1 Introduction

January 21: Course syllabus and class rules

January 23: Introduction to Industrial Organization (CP Chap. 1).

3.2 Topics on Market Structure

January 28: Topics on the Theory of the Firm (CP Chap. 2)*.

January 30: Topics on the Theory of the Firm (CP Chap. 2).

February 4: Topics on Perfect Competition (CP Chap. 3).

February 6: Topics on Monopolies, Monopsonies and Dominant Firms (CP Chap. 4).

February 10: *Problem Set 1: Topics on the Theory of the Firm*

February 11: Topics on Monopolies, Monopsonies and Dominant Firms (CP Chap. 4).

February 13: Topics on Cartels (CP Chap. 5)*●.

February 17: *Problem Set 2: Topics on Perfect Competition*

February 18: Topics on Oligopoly (CP Chap. 6).

February 20: Topics on Monopolistic Competition (CP Chap. 7)*.

February 24: *Problem Set 3: Topics on Monopoly and Oligopoly*

February 25: Generalized Partial Equilibrium Model (Vallejo y CP Chap. 8).

February 27: Generalized Partial Equilibrium Model (Vallejo y CP Chap. 8).

March 2 *Problem Set 4: Topics on Monopolistic Competition*

March 3: Preparation for First Partial Evaluation

March 5: First Partial Evaluation

March 9: Correction of the First Partial Evaluation (*in the problem set sessions schedule*)

3.3 Business Practices: Strategies and Conduct

March 10: Price Discrimination (CP Chap. 9).

March 12: Fusions, Acquisitions and Restrictions (CP Chap. 12)*●.

March 16 to 20: *Academic Recess.*

March 23: *Problem Set 5: Price Discrimination*

March 24: Advertising and Revelation (CP Chap. 14)*.

March 26: Information Technology (CP Chap. 15)*●.

March 31: Research and Development (CP Chap. 16).

April 2: Research and Development (CP Chap. 16).

April 6 to 10: *Academic Recess.*

April 13: Problem Set 6: Advertising

April 14: Micro Fundamentals of Price Rigidities (CP Chap. 17)*.

3.4 Industrial Organization Policy: Theory and Practice

April 16: Regulation and Deregulation (CP Chap. 20)*●.

April 20: *Problem Set 7: Information Technology and Technological Change*

April 21: Anti-Trust Policy and Competition Law (CP Chap. 19)*.

April 23: Industrial Policy (Hausman y Rodrik)*●

April 27 *Problem Set 8: Competition and Industrial Policy*

April 28: Industrial Policy in Colombia.

April 30: International Trade Policy (CP Chap. 18).

May 4: Preparation for the Second Partial Evaluation

May 5: Second Partial Evaluation.

May 7: Student debates

May 11: Correction of the Second Partial Evaluation.

May 12: Student debates

May 14: Guest speaker

May 18: Preparation for the final exam

May 19: TBA

May 21: Final exam

Important Dates:

March 5: First Partial Evaluation

March 9: Correction of the First Partial Evaluation

March 16 to 20: Academic Recess

March 20: Due date to deliver the 30% of the grade

March 27: Last day to retire from courses

April 6 to 10: Holly week

May 5: Second Partial Evaluation

May 11: Correction of the Second Partial Evaluation

May 21: Final exam

May 23: Last day of classes

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. 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, partial and general equilibrium, 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 trade policy and its applications, and to the analysis of the areas in which Government intervention can be beneficial or not, from the welfare point of view.
- c *Developing 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 the economic models, the news and the public opinions on international trade. One session will be devoted to discuss topics that generate heated debates on international trade, presenting the arguments for and against on each subject.

6 Evaluation System

The grades of this course will be obtained from 2 partial evaluations, a final exam, quizzes and debates. For the debates, the class will be divided in groups that should defend or

refute a claim about industrial organization. There will also be ten quizzes at the beginning of the corresponding lectures signaled with an (*), from which five will be chosen by a draw in the dates signaled with a dot (•). Between the six grades of quizzes and debates the worse will be removed at the end of the semester. The percentages that will be used to obtain the final grade in the course are:

<i>Activity</i>	<i>Percentage</i>
First Partial Evaluation	25%
Second Partial Evaluation	25%
Final Exam	25%
Quizzes and Debates	25%

Table 1: *Activities and percentages of each evaluation*

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 complaints uploaded through Siciuplus, with a photo or a scan of the graded material and an explanatory note, 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. A student may be requested to present the original excuse if that considered necessary. 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. Such excuses must be up-

loaded within eight (8) working days of the written evaluation through Siquaplus, with a photo or a scan of the original doctor's note. A student may be requested to present the original excuse if that considered necessary. 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.

7 Approximation System for Final Grade

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

8 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.