Universidad de los Andes
Facultad de Economía

INDUSTRIAL ORGANIZATION
ECON-3672
2021-10
HERNÁN VALLEJO

Basic Information

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

Class Schedule: Tuesday from 11:00 a.m. to 12:15 p.m. (asynchronic)

Thursday from 11:00 a.m. to 12:15 p.m. (synchronic)

Office Hours: Any time, through e-mail.

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

Class Schedule: To be defined on the first class

Office Hours: Any time, through e-mail.

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 (2015) “Modern Industrial Organization”, Fourth Edition, Addison Wesley. (https://www-ebooks7-24-com.ezproxy.uniandes.edu.co:8443/?il=7438)

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=7u6OsOTDR6o`).

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 26: Course syllabus and class rules

January 28: Introduction to Industrial Organization (CP Chap. 1)

3.2 Topics on Market Structures

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

February 4: Topics on the Theory of the Firm

February 9: Topics on Perfect Competition (CP Chap. 3)

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

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

February 16: Topics on Monopolies, Monopsonies and Dominant Firms

February 18: Topics on Cartels (CP Chap. 5)

February : Problem Set 2: Topics on Perfect Competition

February 23: Topics on Oligopoly (CP Chap. 6)

February 25: Topics on Monopolistic Competition (CP Chap. 7)

February : Problem Set 3: Topics on Monopoly and Oligopoly

March 2: Generalized Partial Equilibrium Model (Vallejo y CP Chap. 8)

March 4: Generalized Partial Equilibrium Model

March : Problem Set 4: Topics on Monopolistic Competition

March 9: Preparation for First Partial Evaluation

March 11: Deadline to upload the First Individual Questionnaire: Market Structures

March : Correction of the First Individual Questionnaire (*in the problem set sessions schedule*)

3.3 Business Practices: Strategies and Conduct

March 16: Price Discrimination (CP Chap. 9)

March 18: Fusions, Acquisitions and Restrictions (CP Chap. 12)

March : Problem Set 5: Price Discrimination

March 23 to 27: Academic Recess

March 29 to April 3: Holy Week

April 6: Advertising and Revelation (CP Chap. 14)

April 8: Information Technology (CP Chap. 15)

April 13: Research and Development (CP Chap. 16)

April 15: Research and Development

April : Problem Set 6: Advertising

April 20: Micro Fundamentals of Price Rigidities (CP Chap. 17)

April 22: Deadline to upload the second individual questionnaire: business practices

April 21: Correction of the second individual questionnaire

3.4 Industrial Organization Policy: Theory and Practice

April 27: Regulation and Deregulation (CP Chap. 20)

April 29: Anti Trust Policy and Competition Law (CP Chap. 19)

April : Problem Set 7:Information Technology and Technological Change

May 4: Industrial Policy (Hausman y Rodrik)

May 6: Industrial Policy in Colombia

May : Problem Set 8: IO Policy

May 11: International Trade Policy (CP Chap. 18)

May 13: Deadline to upload the third individual questionnaire: policy

May : Correction of the third individual questionnaire: policy

May 18: Students prepare for the debates

May 20: Student debates in zoom

4 Methodology

There will be two theory classes with the lecturer each week (one asynchronic and one synchronic), and one asynchronic and one synchronic problem set sessions, in around eight of the weeks, 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.

d *Capacity to adapt to a changing environment.*

e *Taking a greater responsibility for one´s own learnig process.*

6 Evaluation System

The grades of this course will be obtained from three individual questionnaires and the debates. For the debates, the class will be divided in groups that should defend or refute a claim about industrial organization. The percentages that will be used to obtain the final grade in the course are:

Activity	*Percentage*
Three Questionnaires(each)	30%
Debates	10%

Table 1: *Activities and percentages of each evaluation*

Work on problem sets will also be graded with 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 a final grade between 1.50 and 5.00, with no approximations, following the guidelines issued by Universidad de los Andes. This course has a minimum grade guarantee: if the 30% of the grades are below 3.75 andthe 100% of the grades are below 3.75, the grades of all students will be increased by the same amount, so that those averages are equal to 3.75. If the average grades of the course are above 3.75, no curve will be applied to the student grades.

If there is a mistake in the grades, it will be fixed. But only complaints uploaded through the corresponding activity in the course through Bloque Neon Brightspace, 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. In the case of individual questionnaires, students are expected to study and understand the correction of the questionnaire before filling a complaint. 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 upload any of the individual questionnaires, only medical excuses verifiable by the Department of Economics will be accepted. Such excuses must be uploaded within eight (8) working days of the deadline of the questionnaire through the corresponding activity in the Course through Bloque Neon Brightsapce, with a photo or a scan of the original doctor's note. A student may be requested to present the original excuse if that is 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 Miscellaneous

If a student has special requirements for the course, that student is encouraged to let the teacher know as soon as that is possible in order to sort those requirements as well as the circumstances allow.