

Economics 154-637A

Industrial Organization
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Outline

Industrial Organization is the study of how firms interact in markets to determine the properties of the market equilibrium. A main property is the market price, and the subject has been called the applied theory of price. It is a broad field of study and forms the foundation for study of the features of many types of equilibrium in all branches of economics.

There is not an assigned textbook for this course, but there are a number of texts that can provide overviews and background. Among these is the leading text for over a quarter of a century, by Jean Tirole, *The Theory of Industrial Organization*, MIT Press. A more recent text is by Stephen Martin, *Advanced Industrial Economics*, Second Edition, Blackwell Publishers. A good, undergraduate text covering most of the subject is by Jeffrey Church and Roger Ware, *Industrial Organization: A Strategic Approach*. These, too, are over a decade old.

The course will be evaluated by term paper to be submitted in December on a topic to be agreed.

Topics covered.

The time devoted to each topic will vary according to the progress of the class. We may not manage to cover all topics, but the main foundational analyses are covered in some depth.

The Industrial Organization Paradigm

Tirole, cch. 0, 1; Martin, cch 1, 5; Varian, *Microeconomic Analysis*, ch. 2

Models of Oligopoly

Martin, cch. 2, 3, 4

Neoclassical Cost Theory

Baumol, Panzar and Willig, *Contestable Markets and the Theory of Industry Structure*, 1st or 2nd ed.

Duality Theory and Cost

Varian, *Microeconomic Analysis*, cch. 1, 4

Diewert, “Duality Approaches to Microeconomic Theory” in *Handbook of Mathematical Economics*, Vol II

Depreciation and the Measurement of Capital

Symposium, *Economic Inquiry*, Dec 1996

Design of Regulatory Mechanisms

Laffont and Tirole, *A Theory of Incentives in Procurement and Regulation*