

EC853-01, Fall 2004
Industrial Organization I (WF 12:00-1:20 Carney 11)
Instructor: Hideo Konishi
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(Office Hours) anytime

COURSE DESCRIPTION

This is a course in industrial organization at the Ph.D. level. The course includes standard theoretical models of industrial organization, and the approach will be game-theoretic. A solid background in graduate microeconomics is required. The aim of this course is two-fold: to present basic tools of industrial organization, and to encourage students to start their own researches. The basic game theory tools (such as quantity competition, supermodular games, discrete choice models, mixed strategy equilibria with infinite strategy sets, search theory, signalling games, and repeated games) will be presented by showing how the Bertrand paradox can be resolved by modifying the basic setup of perfect information homogeneous good market with price competition. This time I plan to make my lectures more theoretical (than usual). After these tools are presented, in this year, I plan to focus on economics of two-sided markets as one of the recent specific topics in industrial organization.

RECOMMENDED BOOKS

The best textbook in Industrial Organization is still: *The Theory of Industrial Organization*, by J. Tirole, MIT Press, 1988 (it is getting a bit old, but still the best book available which covers various materials). *Handbook of Game Theory Vol 3*, "Game Theory and Industrial Organization" by K. Bagwell and A. Wolinsky (2002, Elsevier: downloadable from Bagwell's website at Columbia University) is also a nice introduction, although the covered materials are very limited. A nice and more technical textbook that focuses on oligopoly theory is: *Oligopoly Pricing*, by X. Vives, MIT Press, 1999. The Chapter 2 of this book provides a nice introduction of supermodular games. Another useful reference is: *Modern Industrial Organization*, by D. Carlton and J. Perloff, Addison Welsley Longman, 1999, 4th edition (an undergrad textbook, but nice: actually 2nd edition was much better).

GRADE AND COURSE REQUIREMENTS

Tentatively, I would say that your grade will be based on your performance on a final exam, and writing a short paper on a topic of your choice. The exam will count for 70% of your course grade. The remaining 30% will be based on your paper. Although it is not required, I encourage you to present your paper to the class.

TENTATIVE SCHEDULE

(Note that it is very tentative and is subject to changes.)

1. Oligopoly and Game Tools: Vives Chapter 2
2. Product Differentiation: d'Aspremont et al.
3. Price Dispersion: Varian
4. Advertisement: Butters, Milgrom&Roberts
5. Repeated Games: Green&Porter, Rotemberg&Saloner
6. Signalling: Milgrom&Roberts
7. Consumer Search: Diamond, Wolinsky
8. Two-sided Markets: Tirole