COMPETITIVE STRATEGY AND INDUSTRIAL ORGANIZATION

ECON 464/564

SPRING 2016

**Instructor:** Prof. Huseyin Yildirim, Soc. Sci. 205, Ph: 660-1805, hy12@duke.edu

**Course Hours:** TTh 1:25 – 2:40 pm (Soc. Sci. 311)

**Office Hours:** TTh 10:30-11:30 am or by appointment

**Textbook:** Luis M. B. Cabral, Introduction to Industrial Organization: MIT Press.

**Course Description:** IO is the study of oligopolistic markets in which a small number of firms operate and strategically influence the market outcome. Beginning with the basic models of oligopolistic competition, the consequences of strategic behavior on collusion, price discrimination, product differentiation, advertising, and entry and exit will be examined. The analysis will be formal and utilize concepts and techniques from intermediate microeconomics.

**Pre-requisite:** ECON 205 (Intermediate Microeconomics)

**Grading:** Your grade will be based on one midterm exam (40%), one final exam (50%), and 6-8 “small” homework assignments (10%, dropping the two lowest). Makeup exams will be given only in case of documented illnesses.

**Tentative Course Outline**

**Warming up**
1. Cabral, Ch.1: What is industrial organization?
2. Cabral, Ch.4: Games and Strategy

**Two Benchmark Cases**
3. Cabral, Ch.5: Monopoly and Regulation
4. Cabral, Ch.6: Perfect Competition (very briefly)

**Basic Oligopoly Models**
5. Cabral, Ch.7: Oligopoly Competition
6. Cabral, Ch.8: Collusion
7. Cabral, Ch.9: Market Structure and Market Power

   MIDTERM EXAM (Thursday, Feb. 18, in class)

**Price and Nonprice Strategies**
8. Cabral, Ch.10: Price Discrimination
9. Cabral, Ch.11: Vertical Relations
10. Cabral, Ch.12: Product Differentiation
11. Cabral, Ch.13: Advertising

**Entry and Exit**
12. Cabral, Ch.14: Entry Costs, Market Structure, and Welfare
13. Cabral, Ch.15: Strategic Behavior, Entry and Exit

**Technology**
14. Cabral, Ch.16: Research and Development
15. Cabral, Ch.17: Networks and Standards

   FINAL EXAM (Friday, May 6, 7:00 - 10:00 PM, in class)