

Course no.	MPE 133
Course title	<b>Industrial organisation</b>
Number of credits	3 (2.5-0.5-0)
Number of lectures-	32-10-0
Course coordinator	Ms Namrata Gulati

### Course outline

This course is intended to introduce students to the theoretical Industrial Organization. Students are assumed to be familiar with intermediate microeconomics, calculus and non-cooperative game theory.

### Evaluation procedure

▪ Two minor exams	30
▪ Problem sets	20
▪ Major exam	50

### Details of course contents and allotted time

Sr. no.	Contents	Allotted time (hours)		
		Lectures	Tutorials	Practicals
1.	The Monopoly	4	1	
2.	Markets for Homogeneous Products	5	2	
3.	Markets for Differentiated Products	8	2	
4.	Advertising	4	1	
5.	Quality, Durability, and Warranties	5	2	
6.	Pricing Tactics: Two-Part Tariff and Peak-Load Pricing	6	2	
	<b>Total</b>	<b>32</b>	<b>10</b>	

The course is reviewed and commented by the following experts.

1. Dr Tridip Ray, Indian Statistical Institute
2. Dr Prabal Roy Chowdhury, Indian Statistical Institute

### Suggested readings:

1. Oz Shy, Industrial Organization: Theory and Applications, The MIT Press, 1995.
2. Jean Tirole, The Theory of Industrial Organization, MIT, 1988.

## **Selected Papers and Case Study**

- FCC lotteries for cellular licenses in USA; (Church and Ware).
- Hazlett, Thomas W. and Robert J. Michaels. 1993. "The Cost of Rent-Seeking: Evidence from Cellular Telephone License Lotteries." *Southern Economic Journal*. January, 59:3, pp. 425-35.
- Goering, G. E., J. R. Boyce and J. M. Collins (1993), 'R&D and Product Differentiation,' *Review of Industrial Organisation*, 8, 609-621.
- Rent-seeking behavior, Posner(1990).
- Novshek, William & Chowdhury, Prabal Roy, 2003. "Bertrand equilibria with entry: limit results," *International Journal of Industrial Organization*, Elsevier, vol. 21(6), pages 795-808, June.
- Tasnadi, 1999, Existence of Pure Strategy Nash equilibrium in Bertran Edgeworth oligopolies, *Economic Letters* 63, 201-206.
- Kreps and Scheinkman, 1983, Quantity precommitment and Bertrand competition yield Cournot outcomes, *BJE* 14, 326-327.
- C. Holt (1985), An Experimental of the Consistent Conjectural Variation Hypothesis, *American Economic Review*.
- US Airfare policies.

## **Topics and reading outline**

### **(Following Oz Shy)**

#### **Topic 2: The Monopoly**

- The Monopoly's Profit-Maximization Problem
- Monopoly and Social Welfare
- Discriminating Monopoly
- Durable-Goods Monopolies
- Source: Chapter 5

#### **Topic 3: Markets for Homogeneous Products**

- Cournot Market Structure
- Sequential Moves
- Bertrand Market Structure
- Cournot versus Bertrand
- Source: Chapter 6

#### **Topic 4: Markets for Differentiated Products**

- Two Differentiated Products
- Monopolistic Competition in Differentiated Products
- "Location" Models
- Characteristics Space. Vertical and horizontal characteristics.
- Source: Chapter 7

**Topic 5: Advertising**

- Persuasive Advertising
- Informative Advertising
- Targeted Advertising
- Source: Chapter 11

**Topic 6: Quality, Durability, and Warranties**

- Personal Income and Quality Purchase
- Quality as Vertical Product Differentiation
- Market Structure, Quality, and Durability
- The Market for Lemons
- Quality-Signaling Games
- Source: Chapter 12

**Topic 7: Pricing Tactics: Two-Part Tariff and Peak-Load Pricing**

- Two-Part Tariff
- Non uniform Pricing
- Peak-Load Pricing
- Source: Chapter 13