

Industrial Economics

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Abstract

Industrial Economics (IE) or Industrial Organization as it is usually known, is the area of economics that studies the markets as institutions, the state of competition, the strategic interaction among firms, the industrial policy and the business decisions companies make within the market environment. IE approaches the markets from three different perspectives: the economic theory, the applied business perspective and the institutional perspective. The course's focus is the economic theory but the business and institutional component will be incorporated in several topics with real life examples and case studies. IE topics include negotiations, antitrust, networks, platforms, e-markets, intellectual property, business strategies, predation, entry deterrence, supply chains and many others. The course is elective.

Contrary to what most students initially believe, IE is not simply a more detailed look into the microeconomic models. The study of microeconomics focuses on the function of the tools. That is, the learner is provided with a specific model and is asked to work out a solution. IE on the other hand, focuses on the use of the microeconomic tools. This means that the student is provided with a real situation or a hypothetical scenario and the goal is to figure out which model must be used, while the technical part of the solution is of secondary importance.

Prerequisites

The course requires knowledge of intermediate microeconomic theory (especially production/cost theory), basic econometrics and advanced calculus. Third year Game Theory will be a plus in understanding the material deeper.

Learning Objectives & Outcomes

The main objective of this course is to connect the theoretical microeconomics knowledge acquired in the entire duration of studies to the organization of real business. By the end of the course the student will have a spherical understanding about how modern firms function and interact within the institutional framework of the market.

The student should be able to apply professional knowledge and skills acquired while studying the course in practical areas, including academic research, work in financial institutions, industry, state governance.

Required reading:

Tirole, J., "The Theory of Industrial Organization", (MIT Press, 1992).

Optional reading:

Church J., & R. Ware, "Industrial Organization: A Strategic Approach" (Irwin, 2000).

Symeonidis, G., "Industrial Economics: University of London Study Guide", (UoL, 2015).

Methods of Instruction

- Lectures
- Seminars
- There will be a homework assessment for every lecture, due in the lecture, posted on the website 5-7 days in advance. Each assignment will require around 80-100 minutes of work.
- There will be three tests: fall test, winter test, spring test. At the end of the course there will be the final exam. All tests and exams are cumulative and required. No makeup tests will be offered. If someone has uncontested medical documentation for missing a test, the entire weight of the test will be transferred to the next test. Notice, however, that tests in IE become naturally harder as the year progresses. If someone has medical documentation for missing the final exam, the retake for this exam will serve as a makeup exam.

Grading System and Knowledge Assessment

The course score will be calculated as

$Score = 0.15 \cdot hw + 0.15 \cdot test_fall + 0.15 \cdot test_wint + 0.15 \cdot test_spring + 0.4 \cdot exam$. Bonus credit may be issued depending on various factors including a (possible) optional extra credit project. Course score will be in the 100-scale and will be converted into grades according to the official UoL mapping: [0,20): 1; [20,30): 2; [30,40): 3; [40,47): 4; [47,54): 5; [54,62): 6; [62,70): 7; [70,78): 8; [78,86): 9; [86,∞): 10. If $Score < 40$, the student will be offered a retake final exam. The score after the retake will be $Score' = 0.5 \cdot Score + 0.5 \cdot Retake$. If $Score' \geq 40$, the student passes the course with a grade of exactly 4 out of 10. Otherwise the student must take the commission exam. The commission exam is stipulated by the official ICEF rules. It is an exam on the material of the entire course that will be graded independently by the instructor and two other academics. The commission exam tasks will be created by the instructor as well as the answer key and the grading scheme. Each paper's score out of 100 will be agreed upon in a commission meeting and only the final outcome will be announced. Students who pass the course through the commission exam will receive a grade of exactly 4 out of 10. Failure in the commission leads to irrevocable fail in the course. There is no viewing for the commission and the results are not contestable.

Sample materials for knowledge assessment are available in ICEF Information system at <https://icef-info.hse.ru>.

Special Equipment and Software Support

Laptop, projector, Internet connection

MS Word, MS Excel

Course plan

1. The firm
2. Investment, technology & concentration
3. Contracts
4. Performance evaluation
5. Strategic interaction
6. Short-run competition
7. The Bertrand paradox

8. Repeated interaction & price wars
9. Collusion & detection
10. Strategic entry deterrence
11. Business strategies
12. Non-price competition
13. Proliferation, rebranding & quality
14. Price discrimination
15. Market segmentation
16. Self-selection pricing
17. Advanced pricing
18. Supply chains
19. Dealing & territorial control
20. Market structure
21. Industrial policy
22. Antitrust
23. Natural monopolies & regulation
24. Regulation under asymmetric info
25. Networks
26. Platforms & e-markets
27. Two sided markets & technological standards
28. Intellectual property