This course is one of two graduate seminars in industrial organization. We will focus on five main areas: 1) pricing and pricing strategies of firms, including price discrimination, limit pricing, and predatory pricing, 2) product differentiation, 3) incomplete contracts and theory of the firm, 4) innovation, patents, and research and development, and 5) merger analysis and antitrust regulation. We will cover both the theoretical and empirical sides of these issues, and most likely more about half the course will be devoted to the first two topics. In addition, I will point out the international applications of each topic, rather than treat international industrial organization as a separate focus area.

The goal is to give you a solid understanding of literature in each area and a sense for which issues economists have deemed important and relevant. Along the way, you may pick up new tools and techniques for your tool box. We will have weekly or biweekly assignments and quizzes (20% of your grade for Ph.D. students, 30% Master’s) and a midterm in the seventh week of the quarter (30% Ph.D. and 35% Master’s).

The ultimate goal in a field class is to get you working on and writing original research. To achieve this, a paper will be due at the end of the term (30% Ph.D. and 35% Master’s) by 5 pm on Wednesday, June 14. There will be two options for the paper: 1) a 10-12 page literature review (with at least 15 cites), or 2) a paper that presents a new problem or issue and derives theoretical or empirical results (at least 10 pages). I actually recommend the first option, regardless of where you are at with your dissertation or thesis research. The topic needs to be decided in consultation with me by the second or third week of class. Finally, the Ph.D. students only will present an article to the class (20% Ph.D.) from their literature review in one of the final two weeks of class.

Course readings for each topic will be announced a week in advance. We may or may not cover each of the articles listed below in a topic area. In addition, there are the following required and recommended text books.

**Required Text:**

**Other Recommended Texts:**
COURSE OUTLINE AND READINGS
(* - indicates required reading)
(Subject to change with notification during the quarter)

I) Pricing Strategies - Price Discrimination

*Tirole, chapter 3, pp. 133-168.


II) Pricing Strategies - Predatory Pricing and Limit Pricing

*Tirole, chapter 9, pp. 361-388.

*Martin, chapter 8, pp. 226-273.


II) Pricing Strategies - Predatory Pricing and Limit Pricing continued


III-A) Product Differentiation - Theory

*Tirole, chapter, 7, pp. 277-304.
*Martin, Chapters 3-4, pp. 41-116, Chapter 11, Section 4, pp. 356-360.
Shy, chapter 7, pp. 133-168.


III-B) Product Differentiation - Empirical


IV-A) Incomplete Contracts and Theory of the Firm
* Martin, Chapter 12, pp. 279-299.


**IV-B) Empirical Evidence on Incomplete Contracts and Theory of the Firm**


**V-A) R&D, Innovation, and Patents - Theory**

*Tirole, chapter 10, pp. 389-422.
*Martin, chapter 14, pp. 445-475.

Shy, chapter 9, pp. 219-252.


**V-B) R&D, Innovation, and Patents – Empirical**


**V-B) R&D, Innovation, and Patents – Empirical continued**

VI) **Merger Analysis and Antitrust Regulation**

* Martin, chapter 12, sections 3-9, pp. 399-414.
* Scherer and Ross


