

Course Syllabus

Industrial Economics 2017–18

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Description

Industrial Economics (IE) or as it is usually known, *Industrial Organization* 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 firms make within the market framework. The course approaches the markets from three different perspectives: the economic theory, the business perspective (applied) and the legal perspective (institutional). Our focus will be on the economic theory but there is a significant business and legislation component incorporated in several topics. The course includes economic modeling, game theory, around 250 real life examples and more than 25 extended case studies. We explore interesting topics of market organization such as negotiations, antitrust, networks, platforms, electronic markets, intellectual property, business strategies, predation, entry deterrence and many others.

Objectives & Outcomes

The basic objective of the course is to enable the student to understand the structure of markets and the application of policy both in a theoretical and empirical context. The learning outcome of the course is to describe and analyze the prominent theories and applications of Industrial Organization. Knowledge in this course will be valuable for the students in acquiring managing and governance skills, enriching their understanding of the institutional framework of business, and improve their analytical ability in negotiations.

Prerequisites

The course requires knowledge of *intermediate microeconomic theory* (especially production/cost theory), basic *econometrics* and advanced *calculus*.

Resources

- There is a **website** dedicated to the course at www.kmarinakis.org (under the tab: teaching). Reading lists, grades, assignments, announcements and updates to the course calendar will be posted there in a regular basis.
- The **main reading** is Church J., & R. Ware, *Industrial Organization. A Strategic Approach* (Irwin, 2000).
- **Supportive reading** is Symeonidis, G., *Industrial Economics. University of London Study Guide*, (2015).
- **Reference reading** is Tirole, J., *The Theory of Industrial Organization*. (MIT Press, 1992).
- **Handouts** and **slides** will be available on the website after the lectures.

Teaching

There will be one 80-min lecture and one 80-min lab per week for a total of 28 lectures, spread across 4 modules (of 7 lectures each). Lectures and labs will be exclusively in English. In case a lecture is cancelled it will be rescheduled. A course calendar with the planning of the lectures is posted and regularly updated on the website.

Office hours

There will be “open-door” office hours every Tuesday between 16:45 – 17:15 for short questions with no appointment necessary. For longer inquires, students may book an appointment with the professor through the automated system on the website.

Attendance

Attendance plays a key role in this course. Attendance record will be kept but it will not affect final grades directly. Students are encouraged to actively participate during the lecture. Questions and comments are welcomed.

Homework

There will be 3 – 4 homework assessments per module. Assignments and their due dates will be posted on the website approximately 7 days in advance. Each assignment will contain detailed instructions.

Tests and Exams

Fall midterm test on the material of the 1st module; **fall exam** on the material of the 1st and 2nd modules; **spring midterm test** on the material of the 3rd module; **spring exam** on the material of the 3rd and 4th modules.

All tests and exams are required. No makeup tests will be offered. If someone has medical documentation for missing an exam, the retake for this exam will serve as a makeup exam.

Assessment

The **fall semester score** will be calculated as

$$S_{fall} = 0.2 \cdot hw_{fall} + 0.3 \cdot test_{fall} + 0.5 \cdot exam_{fall}.$$

If $S_{fall} < 40$ students may take the **fall retake** that will update their fall score as

$$S'_{fall} = 0.5 \cdot S_{fall} + 0.5 \cdot retake_{fall}.$$

The **spring semester score** will be calculated as

$$S_{spr} = 0.2 \cdot hw_{spr} + 0.3 \cdot test_{spr} + 0.5 \cdot exam_{spr}.$$

If $S_{spr} < 40$ may the **spring retake** that will update their spring score as

$$S'_{spr} = 0.5 \cdot S_{spr} + 0.5 \cdot retake_{spr}.$$

The **final score for the entire course** will be the average of the two semesters. Bonus credit may be issued depending on various factors including a (possible) optional extra credit project. All scores during the course will be in the 100-scale and will be converted into grades according to the official University of London mapping:

$[0,20): 1$; $[20,30): 2$; $[30,40): 3$; $[40,47): 4$; $[47,54): 5$; $[54,62): 6$; $[62,70): 7$; $[70,78): 8$; $[78,86): 9$; $[86,\infty): 10$.

If the final score in the course is at least 40, the student passes independently if one of the semester scores is below 40. If the final score in the entire course is below 40 the student has to take the *summer commission exam*.

The **summer commission** 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. Failure in the commission leads to irrevocable fail in the course. There is no viewing for the commission and the results are not contestable.

Professional behavior

During the lecture and classes students are required to exhibit a flawless professional behavior. The use of electronic devices (including cellphones, tablets and laptops) is not allowed during the lecture. Chatting, texting, reading irrelevant material or studying for other courses during the lecture are disrespectful and will not be tolerated.

Academic integrity

A zero tolerance stand against dishonest academic behavior will be kept. The instructor commits that cheating or plagiarism will be prosecuted to the fullest extent of the Code of Student Conduct of HSE and the Russian Law. The course utilizes the honor pledge. Failure to sign the honor pledge in any test, exam or assignment before its submission will result to a zero grade.

Students with disabilities

Reasonable accommodations will be provided to students with verifiable disabilities registered with the Study Office.

List of lectures

Module I	1. The firm	Module III	15. Proliferation, rebranding & quality
	2. Technology & concentration		16. Price discrimination
	3. Transaction costs & property rights		17. Self-selection pricing
	4. Contracts		18. Advanced pricing
	5. Relative evaluation		19. Vertical supply chains
	6. Static games		20. Dealing & territorial control
	7. Dynamic games		21. Market structure
Module II	8. Short-run competition	Module IV	22. Antitrust
	9. The Bertrand paradox		23. Industrial policy
	10. Repeated interaction & price wars		24. Natural monopolies & regulation
	11. Collusion & detection		25. Regulation under asymmetric info
	12. Strategic deterrence		26. Networks & technological standards
	13. Business strategies		27. Platforms & e-markets
	14. Non-price competition		28. Intellectual property

**Check the website for lecture dates and readings*

Selected case studies and economic stories

1. General Motors vs. Fischer: The Holdup case
2. BMW vs. Mercedes: Product choice game
3. The Joint Executive Committee cartel
4. How to burn \$50M (and get back \$100M!)
5. Netscape Navigator vs. Internet Explorer: The browsers war
6. Sony's Betamax vs. JVC's VHS: The battle of technological standards
7. The "bring back the McRib" case
8. The New Coke story: A rebranding tragedy
9. Are nightclubs truly "clubs"?
10. The genius two-part pricing of Polaroid
11. The Motorola RazR-D&G case: Please, take my money!
12. The Levi Strauss jeans case
13. Coke vs. Pepsi: The refrigerators loophole
14. Rolex – Tabasco: Image or Quality?
15. The Weider Fitness (stupid) attempt for collusion
16. Saudis vs. Americans: Predation in the oil market
17. HSE – NES: Collusion or not?
18. Taylor Swift against the entire music establishment
19. Apple vs. Microsoft: The killer apps case
20. Nintendo: The game-changing console
21. The dynamic online pricing practice
22. "Sweet" pricing by Merci
23. How Viagra changed the pharmaceutical industry
24. The Indian village story
25. iPhone vs. Galaxy: The 3.5mm headphone jack case
26. The infamous UEFA Euro 2004 fix up
27. How to lose 2.5B dollars in 3 years and your investors will still trust you
28. A cheater's real dilemma
29. Tinder vs. Bumble: Market failure and mechanism competition
30. The YouTube case