

ECON 105: INDUSTRIAL ORGANIZATION & FIRM STRATEGY

SPRING 2023

Professor Emanuel Vespa
Email: evespa@ucsd.edu
Office hours: Tue 11:00-12:20pm
Location: ECON 217

Class Meetings

Lecture Section: Tue/Thu 2:00-3:20pm
Location: SOLIS 109

Course Overview

Industrial organization is concerned with the workings of markets and industries, in particular the way that firms compete with each other. The class is organized into seven topics. We will start revisiting the classic static oligopoly models that you were introduced to in Econ 100C. Subsequently, we will study static oligopoly in the case when products are not homogeneous, a topic referred to as “product differentiation.” In our third topic we will focus on dynamic oligopoly settings, which allow us to collusion and price wars. Market structure comes next, which is a topic where we will study, for example, what determines that some markets have many firms and others only a few. The fifth topic centers on market foreclosure, the different strategies that incumbent firms use not to let other competitors in their market. In the last two topics we will study horizontal and vertical mergers. In each case we will complement theoretical models, with a large number of applications to industries, data from experiments and a discussion of antitrust cases.

Textbook

Luis Cabral, *Introduction to Industrial Organization*, 2nd edition, MIT, 2017.

Your digital textbook materials are provided by the UC San Diego Bookstore through Canvas.

Go to the RedShelf reference under “Getting Started” for a link to the book.

Evaluation

There will be two exams: A midterm and a final. There will be seven homework assignments (submitted on Gradescope), which are graded for *completeness* only. Finally, there is an empirical project. I will provide you with a dataset, which may be different

for different students, you will have to do some analysis following the instructions in the assignment, and report your findings in writing. You will get full credit for your homework and the empirical assignment if you submit an attempted solution, regardless of its correctness. In the case of homework, be sure to go over the posted solutions so that you are prepared for the exams, which are graded on correctness.

The midterm counts for 40% of your grade, the final exam counts for 40% of your grade. The homework counts for 10% and the empirical assignment counts for 10%. Part of the weight of the midterm can be transferred to the final, so there are two alternative grading schemes:

Alternative #1: Midterm 40%, Final 40%, Homework 10%, Empirical assignment 10%.

Alternative #2: Midterm 35%, Final 45%, Homework 10%, Empirical assignment 10%.

When determining your grade I will automatically use the best of the two grading schemes.

Exam formats and dates

I will send instructions on how exams will be conducted later. The exams will be open book and you can use a calculator.

The midterm will take place Thursday May 11th from 2:00 to 3:20pm. Location: SOLIS 109.

The empirical assessment will take place on Thursday May 25th. It will be graded for *completeness* only. There will be NO CLASS on May 25h. You will submit this assignment via gradescope.

The final exam will take place Tuesday June 13th from 3:00pm to 4:30pm. Location: SOLIS 109.

Administrative Issues

- (1) **There will be no makeup exams.** If you have to miss the midterm **for a medical or other university-approved reason**, the weight of the exam will be allocated to the final. In that case, you will need to provide proof of your situation. The weights will not be reallocated for any other reason.
- (2) **Academic dishonesty will not be tolerated.** Students are expected to do their won work, as outlined in the UCSD Policy on Integrity of Scholarship. All suspected cases of academic dishonesty will be reported to the Academic Integrity Coordinator. In addition to the penalties imposed by the Academic Integrity Review Board, I will also reserve the right to fail students found guilty of academic misconduct. Finally, I reserve the right to give an oral test if I feel it is necessary to uphold academic integrity.
- (3) **All students must take the final at the scheduled date and time.** If you have a conflict with other exams or have a medical or other university-approved reason, we will schedule an oral test for some other date.

Tentative Schedule

Date	Topic	Book's Chapter	Minicase
04/04	Introduction	1	
04/06	Static Oligopolies	8	
04/11	Static Oligopolies	8	
04/13	Collusion	9	
04/18	Collusion	9	
04/20	Collusion	9	Virgin Airlines
04/25	Market Structure	10	
04/27	Market Structure	10	Cambell Soup
05/02	Entry Foreclosure	12	
05/04	Entry Foreclosure	12	
05/09	Entry Foreclosure	12	Microsoft
05/11	Midterm	8, 9, 10, & 12	ATPCO
05/16	Vertical Relations	13	
05/18	Product Differentiation	14	
05/23	Product Differentiation	14	
05/25	Empirical Assignment (no class)		
05/30	Mergers	11	
06/01	Mergers	11	
06/06	Mergers	11	GE & Honeywell
06/08	Special Office Hours	-	
06/13	Final	11, 13, & 14	Spirit Airlines