

Topics in Industrial Organization

PhD in Economics and Management
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Syllabus (provisional and subject to changes)

Main textbooks:

Belleflamme P. & Peitz M. (2010): *Industrial Organization, Markets and Strategies*, Cambridge University Press - **BP**

Comino S. & Manenti F.M. (2014): *Industrial Organization of High-Tech Markets. The Internet and Information Technologies*, Edward Elgar. - **CM**

Exam

Written exam, with 2 essay questions.

Course Outline

SECTION I – Topics in traditional industrial organization (8 hours)

1. Competition with consumer Inertia (BP Chapter 7)

- Uninformed consumers & search costs
- Switching costs
- Customer poaching

2. Bundling & Tying (BP Chapter 11)

- Monopoly bundling
- Tying and metering
- Competitive bundling

3. Vertical Relations (BP Chapter 17)

- The double marginalization problem
- Resale Price Maintenance and exclusive territories
- Exclusive dealing contracts

SECTION II – Topics on the Economics of ICT – (12 hours)

6. Economic characteristics of ICT (CM Chapter 1)

7. Issues in the economics of innovation (CM Chapter 6)

- Protection of IP rights

- The role of patents
- Patent policy with cumulative innovation
- Weak patents

8. Intellectual property in the digital economy (CM Chapter 7)

- The case against intellectual monopoly
- Imitation and incentive to innovation
- Intellectual property in the Digital Age: the role of piracy
- Copyright vs copyleft . open source software

9. Network effects (CM Chapters 3 and 4)

- Demand with network effects
- Technology adoption and market failures - excess inertia and excess momentum
- Competition in network markets
- Two sided networks

Additional readings (suggested):

- Economides N.; Himmelberg C. (1995). Critical Mass and Network Size with Application to the US Fax Market. Discussion Paper EC-95-11, Stern School of Business, NYU.
- Katz, M. L. and Shapiro, C. (1984). Network Externalities, Competition and Compatibility, *American Economic Review*, vol. 75 (3): 424-440.
- Arthur, B. (1989). Competing Technologies, Increasing Returns and Lock-in by Historical Events. *Economic Journal*, 99: 106-131.
- Katz M. L. and Shapiro C. (1986). Technology Adoption in the Presence of Network Externalities. *Journal of Political Economy*, 94: 822-841.
- Green, J. R. and Scotchmer, S. (1995). On the Division of Profit in Sequential Innovation. *RAND Journal of Economics*, 26(1): 20. 33.
- Bessen, J. and Maskin, E. (2009). Sequential Innovation, Patents, and Imitation. *RAND Journal of Economics*, 40(4): 611. 635.
- Bessen, J. and Hunt, R. (2007). An Empirical Look at Software Patents. *Journal of Economics & Management Strategy*, 16(1):157. 189.
- Farrell, J. and Shapiro, C. (2008). How Strong are Weak Patents. *American Economic Review*, 98(4):1347. 1369.

NOTE: students must be familiar with standard oligopoly models (price and quantity competition, competition with vertical and horizontal product differentiation) . See **BP** Chapters 3, 4 and 5.