

DUKE UNIVERSITY

ECON 188/288
SPRING 2009
SECTION 01

COMPETITIVE STRATEGY & INDUSTRIAL ORGANIZATION

Instructor: Arie Beresteanu
Office: Social Sciences Bldg. #206
Phone (O) : (919) 660-1856
Office Hours: Tuesday 9:30 – 11:00 AM
Course Hours: MF 10:05 – 11:20 (Room: 229 SocSci)
E-mail: arie@econ.duke.edu (frequently checked)
TA (part time) : Emily Wang yucaiemily.wang@duke.edu

Textbook:

Required: Luis M. B. Cabral, Introduction to Industrial Organization: MIT Press, 2000.

Course Description: This class surveys key topics in industrial organization. The focus is on the strategic interaction among firms with market power. Topics include oligopoly competition, collusion, price discrimination, product differentiation, advertising, and entry and exit. The analysis will be formal and utilize concepts and techniques from intermediate microeconomics. Real life examples will be discussed often. We will also discuss a few Harvard Business School case studies relevant to the material.

Pre-requisites: ECON 105, and basic Math courses

Exams: There will be two non-cumulative midterms. Each values 30% of your grade. The remaining 40% will come from a cumulative final exam. A letter grade will be given ONLY after the final and will be based on all your grades.

Problem Sets: A small problem set will be given after one or two chapters. Problem sets are not graded. However, you must turn at least five problem sets. A one point penalty is given for any problem set short of the five you have to submit.

Course Outline

Warming up

1. Cabral, Ch.1: What is industrial organization?
2. Cabral, Ch.4: Games and Strategy

Two Benchmark Cases

3. Cabral, Ch.5: Monopoly and Regulation
4. Cabral, Ch.6: Perfect Competition

Basic Oligopoly Models

5. Cabral, Ch.7: Oligopoly Competition
6. Cabral, Ch.8: Collusion
7. Cabral, Ch.9: Market Structure and Market Power

Case study: "Prices, market definition and the effect of merger: Staples - Office Depot (1997)" – The antitrust revolution: Economics, competition and policy 4th ed.

MIDTERM EXAM 1 (TBA, in class)

Price and Nonprice Strategies

8. Cabral, Ch.10: Price Discrimination
9. Cabral, Ch.11: Vertical Relations
10. Cabral, Ch.12: Product Differentiation
11. Cabral, Ch.13: Advertising

MIDTERM EXAM 2 (TBA, in class)

Entry and Exit

12. Cabral, Ch.14: Entry Costs, Market Structure, and Welfare
13. Cabral, Ch.15: Strategic Behavior, Entry and Exit

Technology

14. Cabral, Ch.16: Research and Development
 15. Cabral, Ch.17: Networks and Standards
- FINAL EXAM (April 28, Tuesday, 7pm-10pm)