

DUKE UNIVERSITY

ECON 464-01

COMPETITIVE STRATEGY AND IO

SPRING 2013

Instructor: Dr. Huseyin Yildirim, Soc. Sci. 205, 660-1805 (O), Huseyin.Yildirim@duke.edu (e-mail)

Course Hours: TTh 1:25 – 2:40pm (Soc. Sci. 113)

Office Hours: TTh 10:30-11:30 am

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

Course Description: IO is the study of oligopolistic markets in which a small number of firms operate and strategically influence the market outcome. Beginning with the basic models of oligopolistic competition, the consequences of strategic behavior on collusion, price discrimination, product differentiation, advertising, and entry and exit will be examined. The analysis will mostly be formal and utilize concepts and techniques from intermediate microeconomics.

Pre-requisites: ECON 205

Grading: Your grade will come from one midterm exam (30%), one final exam (40%), and 6-8 “small” homework assignments (30%, excluding the two lowest). Makeup exams will be given only in case of documented illnesses.

Tentative 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 (very briefly)

Basic Oligopoly Models

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

Price and Nonprice Strategies

8. Cabral, Ch.10: Price Discrimination

MIDTERM EXAM (expected Feb. 21, Th., in class)

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

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 (May 4, Saturday, 2 – 5pm, in class)