



Course syllabus

Industriell organisation Economics, Industrial Organization

EXTG60, 7,5 credits, G2 (First Cycle)

Valid for: 2023/24

Faculty: Faculty of Engineering, LTH

Decided by: PLED I

Date of Decision: 2023-04-14

General Information

Elective for: I4

Language of instruction: The course will be given in English

Aim

The purpose of the course is to introduce some prominent models and tools that are used in the field industrial organization and to give an overview of important issues and empirical results in the field.

Learning outcomes

Knowledge and understanding

For a passing grade the student must

be able to understand and account for:

- the underlying principles that determines market structure,
- the most important methods used by a monopoly to exploit its market power,
- basic oligopoly theory concerning competition with quantity and price,
- various activities limiting competition such as cartels and barriers to entry,
- the motives for company mergers and their most important effects,
- various forms of vertical competition among companies and their effects,
- factors that affect companies' investment in research and development.

Competences and skills

For a passing grade the student must

have demonstrated an ability to independently:

- analyse market structure and identify relevant markets,
- state and analyse effects of various price setting and product differentiation methods that can be used by a monopoly,
- derive the equilibrium in simple models of oligopoly and be able to account for the economic implications of the model,
- analyse the effects and background of various activities for limiting competition,
- analyse the consequences of company mergers,
- state and analyse effects of various forms of vertical cooperation,
- apply simple models for analyzing what affects companies investment in research and development.

Judgement and approach

For a passing grade the student must

Students shall have the ability to pursue further studies in the subject and should be able to search for and evaluate information with a high degree of independence.

Contents

The course contains an overview of the theoretical tools and models used to analyse issues of how firms act on markets towards consumers and other firms. In many cases, the course focuses on models of markets that are more specific and more realistic than traditional microeconomic theory where general results often are emphasized. After the analysis of the concept of market structure, the course mainly consists of three parts. The first part analyses how a monopolist exploits its market power through price discrimination, horizontal and vertical product differentiation and the offering of packages. The second part contains a strategic analysis of how firms interact with each other according to the traditional theory of oligopoly and according to newer models based on non-cooperative game theory. This part also contains the law governing restrictive practices and recent cases of cartels and misuse of a dominant position from an economic perspective. The third part concerns contractual agreements among firms. The focus is on various forms of vertical contracts such as vertical pricing and exclusive territories, but horizontal contracts are also analysed. Finally, theories on R&D and patents are treated.

Examination details

Grading scale: TH - (U,3,4,5) - (Fail, Three, Four, Five)

Assessment: The examination consists of a written exam and home assignments. The written exam takes place at the end of the course. There will be further opportunities for examination close to this date. Points from home assignments are valid for examinations taken the same term.

The examiner, in consultation with Disability Support Services, may deviate from the regular form of examination in order to provide a permanently disabled student with a form of examination equivalent to that of a student without a disability.

Admission

Admission requirements:

- EXTA40 Introduction to Microeconomic Theory

The number of participants is limited to: No

The course overlaps following course/s: TEK140, NEKH21

Reading list

- Pepall, L., Richards, D. & Norman, G.: Industrial Organization: contemporary theory and practice. Wiley-Blackwell, 2014, 5th edition.
- Supplementary material.

Contact and other information

Course coordinator: Professor Jerker Holm, Jerker.Holm@nek.lu.se

Course homepage: <http://www.nek.lu.se>