

INDUSTRIAL ORGANIZATION

Course code	<i>ECO130</i>
Course title	<i>Industrial Organization</i>
Type of course	<i>Optional / Compulsory</i>
Study level	<i>Undergraduate</i>
Department	<i>Undergraduate studies</i>
Year of study	<i>2nd/3rd</i>
Semester	<i>4th/6th semester</i>
ECTS	<i>6, 48 contact hours</i>
Lecturer	<i>Kristina Griškevičienė</i>
Study form	<i>Regular</i>
Prerequisites	<i>Microeconomics</i>
Course language	<i>English</i>

Annotation

Industrial Organization course analyses market and market structures. Some mathematical economics methods are used in this course, but the main emphasis is put on understanding the logic of microeconomic models. At the end of the course students are expected to understand the relation between the assumptions and the conclusions of the models and to be able to apply game theory based methods for the analysis of competition and strategic behaviour of the companies.

Aims of the Course

Industrial Organization course aims to train students to apply modern analysis methods for the problems related to the menace of market power for consumers' surplus and free competition. It will concentrate on problem-oriented teaching emphasising not only on the main theoretical aspects of microeconomics problems and the methods of solving them but also on practical examples from the real competition.

Course learning outcomes (CLO)	Study methods	Assessment methods
CLO1. Elucidate on the scope and techniques of Industrial Organization	Lectures, seminars, individual study, group study	Midterm and final exams, group project, homework, participation
CLO2. Understand the relation between the assumptions and the conclusions of microeconomic models	Lectures, seminars, individual study, group study	Midterm and final exams, group project, homework, participation
CLO3. Develop skills for analysing market power and its threats for consumers' surplus and free competition	Lectures, seminars, individual study, group study	Midterm and final exams, group project, homework, participation
CLO4. Develop skills for analysing the need, scope and techniques of regulating the market	Lectures, seminars, individual study, group study	Midterm and final exams, group project, homework, participation
CLO5. Develop critical thinking, problem solving and decision-making skills.	Lectures, seminars, individual study, group study	Midterm and final exams, group project, homework

Teaching and learning methods

The course is designed to achieve its aims through a combination of lectures, seminars, group project (case study analysis, solving the selected problems), homework assignments and discussions. Lectures shall consist of problem-oriented teaching, presenting the main theoretical aspects of microeconomics problems, explaining the methods of solving them and providing examples from the real life. The theory learned during the lectures shall be applied in the group projects.

Cheating Issues

The ISM regulations on academic ethics, including cheating (see, *ISM Bakalauro studijų reglamentas*) are fully applied in the course during the entire semester.



Weekly Course Content

Week/Date	TOPICS	COURSE HOURS		READING
		Theory	Practice	
Week 1	Topic #1: Introduction to Industrial Organization: What is the Industrial Organization?	2		[1], Chapters 1, 2
Week 2	Topic #2: Microeconomic Foundations I (Consumers, Firms)	2	2	[1], Chapters 3 [2], Chapter 2
Weeks 3	Topic #3: Microeconomic Foundations II (Competition, Equilibrium, Efficiency. Market failure and Public Policy)	2	2	[1], Chapters 4, 5 [2], Chapter 2.4, 12.4
Weeks 3-4	Topic #4: Price Discrimination. Games and Strategies	2	2	[1], Chapters 6, 7(part) [2], Chapter 10.1-2
Weeks 4-6	Topic #5: Oligopoly models: Bertrand and Cournot models. Collusion & Price Wars.	4	4	[1], Chapters 8, 9 [2], Chapter 7.2
Week 7	Midterm Exam Topics 1 to 5 inclusive		2	
Week 8-9	Topic #6: Entry and Market Structure: Market Structure, Horizontal Mergers, and Market Foreclosure	4	4	[1], Chapters 10, 11, 12 [2], Chapter 9, 10.4
Weeks 10-11	Topic #7: Non-Price Strategies: Vertical Relations and Product Differentiation	4	4	[1], Chapters 13, 14 [2], Chapter 11, 12, 13
Weeks 12	Topic #8: Non-Price Strategies: Innovation and Networks	4	4	[1], Chapters 15, 16 [2], Chapter 16
	Total:	24	24	

*additional readings might be provided during the course

Course assignments and evaluation

TYPE	TOTAL SELF STUDY HOURS	EVALUATION, %
Midterm Exam (Topics 1 - 5)	45	35
Homework assignments	10	20
Final Exam (Topics 1 – 8)	57	45
Consultations	2	
Total:	114	100

Course requirements:

1. **Midterm and Final Exams.** Mid-term exam counts for **35%** and the final exam counts for **45%**. Exams will consist of problems, multiple-choice or open answer questions that are based on the material presented in the class and learned through group projects and homework assignments. Students' ability not only to learn the theory, but to apply the theory is emphasised. Exams will cover all the issues presented in this syllabus and discussed or presented in the class.
2. **Homework assignments.** Students will be presented with problem sets to be solved at home and will be asked to explain it during the seminars. Each student will have to solve **1 problem set** related to the discussed topics and present results/solutions for the class. Correct solutions and presentations will



account for **20%** of the final grade. Detailed guidelines and other relevant information will be provided during the course.

3. **Re-take of the exam.** Students who receive a failing final grade shall have the right to re-take the exam during the re-sit week, which will comprise **80%** of the final grade. It will cover all the topics. The group assignments cannot be resubmitted at a later time. Evaluation received for homework assignments and group project will not be annulled.

Literature:

The main textbook:

1. Cabral L. M. B, *Introduction to Industrial Organization, Second Edition*, The MIT Press, 2017.

Additional literature (will be given selected chapters to read):

1. Cabral L. M. B, *Introduction to Industrial Organization*, The MIT Press, 2000.
2. Church J. & R. Ware, *Industrial Organization: A Strategic Approach*, McGraw-Hill, 2000 (http://works.bepress.com/cgi/viewcontent.cgi?article=1022&context=jeffrey_church)