

Part IIB Paper 9 Industrial Organization and Institutions (2016-2017)

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Content

This paper covers the economic analysis of industrial organization and institutions in imperfectly competitive markets. The approach taken combines the application of microeconomic theory with empirical evidence. It covers a wide range of topics, including firm entry into markets, pricing strategies, collusion, market size, the value of reputations of firms, implicit and explicit (= legal) contracts, principal-agent problems, organization of the firm, institutions, firms engaged in international trade, trade policy, and the role of the government.

Objectives

The paper will develop students' understanding of theoretical and empirical industrial organization and institutions, including its application to public policy issues. It will provide useful knowledge for students wishing to embark on careers in industry, consulting, policy making or in the City, as well as a solid foundation for postgraduate courses in economics.

Lecture courses

The paper consists of the following four lecture courses:

Industrial Organization (Dr M Crowley, 8 lectures, weeks 1–4, Michaelmas term)

Trade & Industry (Dr M Crowley, 8 lectures, weeks 5–8, Michaelmas term)

Industrial Policy (Prof C Teulings, 8 lectures, weeks 1–4, Lent term)

Theory of the Firm (Prof C Teulings, 8 lectures, weeks 5–8, Lent term)

The paper assumes familiarity with intermediate microeconomics (including game theory) and basic econometrics.

Readings

The main textbook used in both the Industrial Organization and the Industrial Policy lecture courses will be Belleflamme, P. and Peitz, M. (2010), *Industrial Organization: Markets and Strategies*. Cambridge University Press. Crowley will teach chapters 2-5 and 8-9 over 8 lectures in her IO course. Teulings will teach chapters 14-17 over 8 lectures in his IP course.

The primary textbook for the Trade & Industry lecture course is Feenstra, Robert (2004), *Advanced International Trade*.

There is a reading-list of papers for the Theory of the Firm lectures.

The paper will also draw upon readings and journal articles that will be recommended in the lecture courses.

Supervisions

Supervision topics will be made available at the beginning of each lecture course. The Teaching Fellows for the paper is River Chen.

Examination

The examination paper is divided into two sections. Students are asked to answer one out of two questions from Section A, and two out of four questions from Section B. Section A is designed to provide deeper analytical understanding of models presented in the lectures. Section B is essay-based. Questions may require the use of elementary mathematical methods. Past examination papers are available from the Faculty webpage.