COURSE SUMMARY
The course is the first of two courses in Industrial Organization (ECON 637 and 737). The objective of ECON 637 is to provide the students with the theoretical and applied toolkit to understand the main topics in modern Industrial Organization (IO), with applications in competition policy and regulation. The focus will be on the modeling of the most important topics in IO, from market power and strategic interaction in oligopolistic markets, to pricing and non-pricing strategies (advertising, innovation, product differentiation, etc.), to anticompetitive behavior (collusion, deterrence, predation, etc.). Seminal cases in competition policy will also be discussed.

COURSE PREREQUISITES
Students are expected to be familiar with microeconomic theory and standard econometric methods.

The main textbook for the course is

Some chapters of the following books will also be used:


For those interested in specific topics, a more advanced reference is the Handbook of Industrial Organization (Vol. 1-2-3), which provides a thorough discussion of the literature and approaches in the main topics the course will cover. Single chapters can be downloaded at no cost using your McGill credentials.

COURSE REQUIREMENTS AND EVALUATION
Students are expected to read in advance the mandatory material, come to class, and actively participate to the lecture. Evaluation will be based on the following:

1. 40%: one in-class group presentation of a recent antitrust/competition policy case.
2. 50%: one individual literature review to be handed in after the end of the course.
3. 10%: in-class participation.

McGill Policy Statements

“In accord with McGill University’s Charter of Students Rights, students in this course have the right to submit in English or in French any written work that is to be graded. This does not apply to courses in which acquiring proficiency in a language is one of the objectives.”

“McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures.” (see www.mcgill.ca/students/srr/honest/ for more information).

(TENTATIVE) COURSE OUTLINE

Items preceded by an asterisk are mandatory reading. Additional material (articles, cases, chapters of other books) will be indicated in class and on MyCourses during the course.

Material acronyms: BP: Belleflamme and Peitz; T: Tirole; M: Motta; KW: Kwoka and White.

1. INTRODUCTION TO IO AND COMPETITION POLICY
   - *BP: Chapter 2; Appendix
   - T: Introduction
   - M: Chapter 1

2. STRATEGIC INTERACTION AND OLIGOPOLY
   - *BP: Chapters 3 and 4

3. PRODUCT DIFFERENTIATION AND ADVERTISING
   - *BP: Chapters 5 and 6

4. SEARCH AND SWITCHING COSTS
   - *BP: Chapter 7

5. PRICE DISCRIMINATION
   - *BP: Chapters 8, 9 and 10

6. BUNDLING
   - *BP: Chapter 11
   - *KW: Chapter 15 (the General Electric-Honeywell case)
7. ANTICOMPETITIVE BEHAVIOR: COLLUSION
   - *BP: Chapter 14
   - *KW: Chapter 11 (the lysine cartel)

8. HORIZONTAL MERGERS
   - *BP: Chapter 15
   - *M: Chapter 5.7.2 (the Nestlé-Perrier case)

9. ENTRY, DETERRENCE, AND PREDATION
   - *BP: Chapter 16
   - KW: Chapter 8 (the Spirit-Northwest case)

10. VERTICAL RELATIONS
    - *BP: Chapter 17
    - *KW: Chapter 20 (the US vs. Microsoft case)

11. INNOVATION AND R&D
    - *BP: Chapters 18 and 19

12. NETWORKS AND TWO-SIDED MARKETS (if time allows)
    - *BP: Chapters 20, 21, 22
    - KW: Chapter 19 (the Visa-MasterCard case)