

# Industrial Organization

## Scottish Graduate Programme in Economics

### Syllabus 2007/2008

#### Part 1. Prof Federico Etro (University of Milan, Bicocca)

#### Sequential Entry, Entry Deterrence and Accommodation, Entry Barriers, Endogenous Market Structures, and the Theoretical Foundations of Antitrust Analysis

##### Basic Textbooks:

- Tirole, J., 1988, *The Theory of Industrial Organization*, Ch. 8 and Ch. 9 or:
- Vives, X., 1999, *Oligopoly Pricing. Old Ideas and New Tools*, The MIT Press, Cambridge
- Etro, F., 2007, *Competition, Innovation, and Antitrust. A Theory of Market Leaders and its Policy Implications*, Springer-Verlag, New York and Berlin

##### Readings:

- Dixit, A., 1980, "The Role of Investment In Entry Deterrence", *Economic Journal*, 90, pp. 95-106
- Spence, A. M., 1977, "Entry, Capacity, Investment and Oligopolistic Pricing", *Bell Journal of Economics*, pp. 534-544
- Spulber, D.F., 1981, "Capacity, Output and Sequential Entry", *American Economic Review*, pp. 503-513
- Milgrom, P. and Roberts, J., 1982, "Limit Pricing and Entry Under Incomplete Information", *Econometrica*, pp. 443-460
- Fudenberg, D. and Tirole, J., 1984, "The Fat Cat Effect, the Puppy Dog Ploy and the Lean and Hungry Look", *The American Economic Review, Papers and Proceedings*, 74 (2), pp. 361-68
- Bonanno, G. and Vickers, J., 1988, Vertical Separation, *Journal of Industrial Economics*, 36, pp. 257-265
- Whinston, M., 1990, "Tying, Foreclosure and Exclusion", *The American Economic Review*, 80, pp. 837-59
- Brander, J. and Lewis, T. 1986, "Oligopoly and Financial Structure: The Limited Liability Effect", *The American Economic Review*, 76, 5, pp. 956-70
- Gilbert, R. and Newbery, D., 1982, Preemptive Patenting and the Persistence of Monopoly, *The American Economic Review*, 72, pp. 514-26
- Etro, F., 2004, "Innovation by Leaders", *The Economic Journal*, April, 101, 495, pp. 281-303
- Etro, F., 2006, "Aggressive Leaders", *The RAND Journal of Economics*, Vol. 37, Spring, pp. 146-54
- Etro, F., 2008, "Stackelberg Competition with Endogenous Entry", *The Economic Journal*, in press

- Modigliani, F., 1958, "New Developments on the Oligopoly Front", *Journal of Political Economy*, 66, 3 (June), pp. 215-32
- Motta, M., 2004, *Competition Policy. Theory and Practice*, Cambridge, Cambridge University Press, Ch. 6, Ch. 7
- Vives, X., 1988, "Sequential Entry, Industry Structure and Welfare", *European Economic Review*, 32, pp. 1671-87
- Tirole, J., 2006, *The Theory of Corporate Finance*, Princeton University Press, Princeton and Oxford, Ch. 7

## **Part 2. Prof David Ulph (University of St Andrews)**

### **Product Differentiation: Taste for Variety, Horizontal (Spatial) Differentiation, Vertical Differentiation, Price Discrimination**

#### Basic Textbooks:

- Tirole, J., 1988, *The Theory of Industrial Organization*, Ch. 2, Ch. 7
- Anderson, S., De Palma, A. and Thisse, J.F., 1992, *Discrete Choice Theory of Product Differentiation*, The MIT Press, Cambridge

#### Readings:

- Hotelling, H., 1929, "Stability in Competition", *Economic Journal*, 39, pp. 41-57
- D'Aspremont, C., J.J. Gabszewicz, and J.F. Thisse, 1979, "On Hotelling's Stability in Competition", *Econometrica*, pp. 1145-1150
- Dixit, A. and Stiglitz, J., 1977, "Monopolistic Competition and Optimum Product Diversity", *The American Economic Review*, 67, pp. 297-308
- Kohlberg, E., and W. Novshek, "Equilibrium in a Simple Price-Location Model", *Economic Letters*, 1982, pp. 7-15
- Lancaster, K.J., "A New Approach to Consumer Theory", *Journal of Political Economy*, 1966, pp. 132-157
- Lancaster, K.J., "Socially Optimal Product Differentiation", *American Economic Review*, 1975, pp. 567-585
- Lancaster, K.J., "Variety, Equity, and Efficiency", 1979
- Novshek, W., "Equilibrium in Simple Spatial(or Differentiated Product) Models", *Journal of Economic Theory*, 1980, pp. 313-326
- Prescott, E.C., and M. Visscher, "Sequential Location Among Firms with Foresight", *Bell Journal of Economics*, 1977, pp. 378-393
- Rosen, S., "Hedonic Prices and Implicit Markets", *Journal of Political Economy*, January 1974
- Salop, S.C., "Monopolistic Competition with Outside Goods", *Bell Journal of Economics*, 10 (1979), pp. 141-156
- Shaked, A. and J. Sutton, "Relaxing Price Competition through Product Differentiation", *Review of Economic Studies*, 49 (1982), pp 3-14
- Stiglitz, J.E., "Variety, Equity, and Efficiency and the Theory of Monopolistic Competition", Princeton University, 1980.

### Part 3. Dr Manfredi La Manna (University of St Andrews)

#### Innovation: Patents, R&D, impact of patent mechanism on innovation,

- Scotchmer Suzanne, *Innovation and Incentives*, MIT Press 2004. Specifically Chapters 2, 4 and 5.
- Martin, *Advanced Industrial Economics*, Chapter 14.
- Tirole, *The Theory of Industrial Organization*, Chapter 10
  
- Reinganum J. "The Timing of Innovation: Research, Development, and Diffusion", in *Handbook of Industrial Organisation* Volume 1, Chapter 14, 1989.
- Scotchmer S., "Standing on the Shoulders of Giants: Cumulative Research and The Patent Law", *Journal of Economic Perspectives*, 5: 29-41, 1001.
- Beath, J., Katsoulakos, Y. and Ulph, D., 1989, Strategic R&D Policy, *The Economic Journal*, 99, 395, pp. 74-83
- Bessen J. and E. Maskin, 2000, "Sequential Innovation, Patents, and Imitation", Working paper 00-01, MIT dept of Economics.
- Gilbert R. and C. Shapiro, 1990, "Optimal Patent Length and Breadth", *Rand Journal of Economics*, 21, 106-112.
- Klemperer P., 1990, "How Broad Should the Scope of Patent Protection Be?", *Rand Journal of Economics*, 21, 113-130.
- Scotchmer S. and J. Green, 1990, "Novelty and Disclosure in Patent Law", *Rand Journal of Economics*, 21, 131-146.
- Jaffe, A. and J. Lerner, *Innovation and its discontents: How our Broken Patent System is Endangering Innovation and What to Do about It*, Princeton University Press, 2004.
- Lessig, L., *Free Culture: How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity*, The Penguin Press, New York, 2004.
- Lerner J., "Patent Protection and Innovation over 150 years", NBER Working Paper 8977, 2002.
- Mazzoleni R. and R. Nelson, "The Benefits and Costs of Strong Patent Protection: A Contribution to the Current Debate", *Research Policy*, 27: 273-284, 1998.
- M. Kremer, "Patent Buy-outs: A Mechanism for Encouraging Innovation," *Quarterly Journal of Economics*, (November 1998), pp. 1137-1167.