UCLouvain

lecge1330

2018

Industrial organization

5 credits	30.0 h + 15.0 h	Q1

Teacher(s)	Belleflamme Paul ;
Language :	English
Place of the course	Louvain-la-Neuve
Prerequisites	*The prerequisite(s) for this Teaching Unit (Unité d'enseignement – UE) for the programmes/courses that offer this Teaching Unit are specified at the end of this sheet.*
Main themes	Industrial organization is the study of firms and markets. It focuses on firm behavior in imperfectly competitive markets. Such markets appear to be far more common than the perfectly competitive markets that were the focus of your basic microeconomics course. Imperfectly competitive markets are characterized by strategic interaction among firms: firms' profits depend on the combination of the decisions taken by all firms on the market. Therefore, firms must take this interdependence into account when they make their decisions. In such contexts, we want to understand how firms acquire and use market power. We also want to shed light on government competition policy. This subject will be approached from both theoretical and applied perspectives.
Aims	1 At the end of the course, students should (i) have a deep knowledge of the basic models of oligopoly theory, (ii) understand how or why oligopolistic firms manage to exert market power, (iii) understand how governments design and apply competition policy, (iv) apply all these concepts to real-life situations. - - - - *The contribution of this Teaching Unit to the development and command of the skills and learning outcomes of the programme(s) can be accessed at the end of this sheet, in the section entitled "Programmes/courses offering this Teaching Unit".*
Content	Content 1. Introduction in game theory 2. Monopole, regulation and competition 3. Concurrence oligopolistic and collusion 4. Differentiation products 5. Information and Publicity 6. Mergers and barriers to entry 7. Research and Development 8. Externalities network, and compatibility standards Course organization Teaching is by combination of lectures, classes and assigned group works. " Lectures are given by the professor and are two hours long. There will be 13 lectures. Reading assignments are set during lectures to help you to read around the subject in your own time (see the tentative schedule below). " Classes are given by a teaching assistant and are two hours long. They are given to groups of about 60 students. There will be five classes, which will be devoted to solving problems and discussing case-studies. All necessary information (name and contact information of the assistant, formation of groups, schedule of classes) will be given very soon after the start of the term. " Group works are problem sets or case-studies that are assigned during the term and have to be solved in groups of (maximum) 5 students. Four group works will be assigned; each group work will be marked and count towards the final mark of the course (see 'Grading and assignments' below). Learning involves your engagement in the above three forms of teaching. By attending the lectures and by reading the corresponding material, you will be exposed to the main theoretical concepts. By working out the solutions to the problem sets and by discussing case-studies (through the classes and group works), you will have the opportunity to deepen your understanding of the main concepts and to apply them to real-life situations.
Bibliography	• Support : La référence principale est " Introduction to Industrial Organization " de Luis Cabral, MIT Press 2000. Une autre référence est le livre d'Oz Shy " Industrial Organization ", MIT Press

Other infos	It is assumed that the student has taken 'ECGE1222 - Microéconomie' (or equivalent). The student should be comfortable with applying calculus and should have a rudimentary knowledge of game theory, as is introduced in 'ECGE1222 - Microéconomie' or as is further covered in 'ECGE1333 - Théorie des jeux et économie de l'information'. For those who have not taken a course in game theory, we will have a review of important concepts as well as one class dedicated to solving game theory problems. The course will rely heavily on the required textbook by Paul Belleflamme and Martin Peitz, Industrial Organization: Markets and Strategies (Cambridge: Cambridge University Press, 2010). Occasional additional readings (typically news articles) may be posted on the iCampus website. Students are encouraged to scan the business sections of magazines and newspapers such as The Economist (www.economist.com), Wall Street Journal (http://europe.wsj.com/home-page) and Financial Times (www.ft.com) for articles relevant to the topics covered in the course. iCampus website Grading and assignments The final grade in this course will be based on grades in four group works and a final exam. " Group works. For September 28, students must have formed groups of maximum five persons by registering via the 'Groups' section of the iCampus web site. Groups will work on four assignments. Three assignments are problem sets that will test students' understanding of some fundamental theoretical concepts. The fourth assignment is a case-study that tests students' ability to apply theoretical concepts to a real-life situation. All the details regarding the four assignments will be posted in the 'Assignments' section of the iCampus web site. " Final exam. The final exam is a 2-hour, close-book, written exam covering the entirety of the course. The exam will be organized in the three regular exam sessions (January, June and August). The exam will contain three sections of equal importance: a first section with a couple of short questions testing the student's knowledge of the main concepts; a second section with a numerical problem similar to those assigned during the term; a third section with a short case-study that the student will have to analyze by applying theoretical concepts. The final grade is computed as follows. " If the student has succeeded in both parts of the assessment (i.e., if a mark of at least 10/20 has been obtained for both the exam and the group works taken as a whole), then the final grade is a weighted average of the two marks for the two activities: the final exam counts towards 60% and each of the four assignments counts towards 10%. " If the student has failed in one part of the assessment (i.e., if a mark of 9/20 or below is obtained either for the exam or for the group works taken as a whole), then the final grade is the lowest mark obtained; no average is computed. The rationale of this so-called 'absorption rule' is to avoid that a failure in the individual evaluation (i.e., the exam) could be compensated by good marks in the group evaluation (or the other way round, which is less likely though). " In the latter case, students may choose to retake the exam and/or an individual assignment during the second session of exams (June or September). The new marks will be taken into account for the parts that have been retaken, while the initial marks will be kept for any part that has not been retaken. The same rules for the computation of the final grade apply, with the exception that the pass threshold for the new marks is set down at 9/20 (that is, for a weighted sum of the two activities to be computed, students must have obtained at least 9/20 in each activity).
Faculty or entity in charge	ESPO

Programmes containing this learning unit (UE)				
Program title	Acronym	Credits	Prerequisite	Aims
Bachelor in Business Engineering	INGE1BA	5	LANGL1330P AND LECGE1115D	
Bachelor in Economics and Management	ECGE1BA	5	LANGL1330P AND LECGE1115O	
Minor in Economics	LECON100I	5		
Additionnal module in Mathematics	LMATH100P	5		