

Introduction

ECN 453: Industrial Organization/Competition Policy

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Plan for today

1. What is industrial organization?
2. Discuss syllabus

1. What is industrial organization?

Your economics education so far

- So far in your economics courses you have studied (at least) two forms of competition: **perfect competition** and **monopoly**.
- We can think of these two forms of competition as polar opposites.
- **Perfect competition** (supply and demand)
 - Many tiny 'atomistic' firms
 - Total surplus is maximized and so the market is 'efficient'. Taxes and other regulation can cause inefficiencies ('deadweight loss')
- **Monopoly**
 - One single firm
 - Monopoly sets price 'too high'; the market is inefficient. Clear scope for regulation

Most real-world markets and firm behaviors do not fit neatly into these two categories.

- Some examples in this course:
 1. Firms set different prices for the same good (e.g. airline tickets, student discounts, pharmaceutical pricing in different countries)
 2. There are only a few big firms in the market (e.g. health insurance, internet plans, ...)
 3. Firms collude to raise prices or restrict supply (e.g. OPEC)
 4. Firms merge with, or acquire, other firms

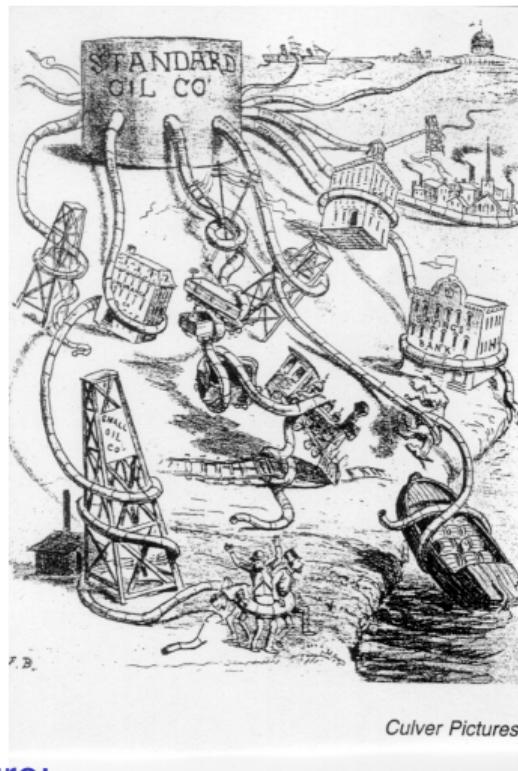


Figure:

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What is industrial organization (IO)?

- **IO is the study of firm and consumer behavior in markets between (and including) the polar opposites of perfect competition and monopoly.**
- Why is this useful?
 1. Designing regulation:
 - Hinges on the details of how firms and consumer behave.
 2. Firm strategy
 - e.g. How to set prices? How to design online marketplaces?

IO is central to many heated policy debates right now

POLITICO

AD

LEGAL

Trump administration launches antitrust salvo against Google

The Trump administration's suit is the most concrete manifestation yet of Washington's growing bipartisan anger at the tech giants' heft and wealth.



Google's headquarters in Mountain View, Calif. | Marcio Jose Sanchez/AP Photo

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Google's headquarters in Mountain View, Calif. | Marcio Jose Sanchez/AP Photo

AP

Bills that could force Big Tech breakups unveiled in House

By MARCY GORDON June 11, 2021



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Bills

By MARCY

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What a Tech Breakup Could Mean for You

A push to split up Facebook, Apple, Amazon and Google may mean more competition and innovation. But it may also curb conveniences we've come to take for granted.

Two black silhouettes of people are shown from the waist up, each pushing a long wooden board horizontally. They are positioned on either side of a large, stylized Apple logo. The logo is composed of several colors: red, yellow, green, blue, and white. The boards they are pushing appear to be cutting through the logo, suggesting a physical or metaphorical 'breakup' of the company. The background is a solid bright green.

PHOTO: ROB DODD

UPCOMING EVENTS

Oct 12 2021 10:30 AM - 3:00 PM EDT WSJ Risk & Compliance Forum

Oct 18 2021 9:00 AM - 5:00 PM EDT WSJ Tech Live

[ADD TO CALENDAR](#)

MOST POPULAR NEWS

1. 'We Will ROC You': How Russians Crushed the Tokyo Olympics Under an Alias
2. WHO Calls for Halt to Covid-19 Booster

In this course we will focus on the following topics

1. **Weeks 1-5:** Pricing, price discrimination, and an introduction to game theory
2. **Weeks 6-10:** Models of static competition
3. **Weeks 11-14:** Models of dynamic competition and collusion; horizontal and vertical relationships; mergers

2. Discuss syllabus