# Industrial Economics

## Prof. Fabio Montobbio

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

– The aim of industrial economics is to explain the behaviours and choices made by companies, the price dynamics and the quantity of products offered in different industrial sectors. Therefore, industrial economics provides the key conceptual and analytical tools to study and explain how many companies can compete in a specific sector, as well as their dimension, and their profit levels.

– In addition, industrial economics aims to assess the social welfare related to different forms of competition. What is good for companies (e.g. the exercise of an excessive market power) is not necessarily good for society as a whole.

– Finally, industrial economics provides criteria and tools for public intervention in terms of monopoly regulation, fair competition, and policies aimed to protect intellectual property and boost technological innovation.

Therefore, the course aims to identify the issues that companies face while operating in different industrial sectors, with a specific focus on strategic and competitive behaviours. In doing so, the course will exploit the microeconomic tools used by economists and integrate them with the strategy approach of management scholars.

At the end of the course, students will be able to:

1. make full use of the key concepts, the tools, and the models that are necessary to understand the behaviour of companies and the way markets work;

2. know the most important quantitative indicators and methods to analyse the effects of the different strategies adopted by companies, as well as the efficiency of markets;

3. assess the implications of State intervention and company strategies, as well as their effects on social welfare;

4. acquire the key conceptual categories and a proper terminology, to communicate efficiently in the field of business communication and politics;

5. understand and interpret the ongoing evolution of markets and their growing complexity.

***COURSE CONTENT***

Industrial economics analyses the cooperative and non-cooperative behaviours of companies, the mechanisms used to shift competitive pressure from price to other variables and, finally, the entry barriers that may reduce effective and potential competition.

The course will focus on the following topics:

– market structure and the fundamental features of the different forms of market; in particular, the theories at the basis of industrial concentration and collusion;

– market power and its regulation;

– the strategies adopted by companies in oligopolistic contexts in order to determine prices, production levels, the degree of differentiation, and R&D expenses;

– deterrence behaviours and the creation of entry barriers;

– the markets with a high degree of innovation and with network effects;

– public policies and their effects in terms of social wellbeing.

***READING LIST***

Textbook of reference

L. Pepall-D.J. Richards-G. Norman-G. Calzolari, *Organizzazione Industriale,* Mc Graw Hill, 2017, 3rd edition.

Further material will be made available on Blackboard.

***TEACHING METHOD***

Frontal lectures, some of which will be held by subject matter experts, supported by modern didactic tools and aimed to encourage active participation in class. The blended course includes frontal lectures and off-site activities. Off-site activities involve the use of video-lectures (asynchronous), self-assessments and online tutorials. The course will take place during the first semester, and it will be based on the methods explained in the Economics (Microeconomics) course.

***ASSESSMENT METHOD AND CRITERIA***

Written exam. The written exam will consist in eight theoretical and numerical questions/exercises on the whole course programme. Further information will be made available on Blackboard.

***NOTES AND PREREQUISITES***

In order to get the most out of this course, students should have a good knowledge of the tools and the key concepts explained during the Economics (Microeconomics) course.

In the event that the health situation relating to the Covid-19 pandemic does not allow face-to-face teaching, distance learning will be guaranteed in ways that will be communicated to students in due course.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG, or on the Faculty notice board.