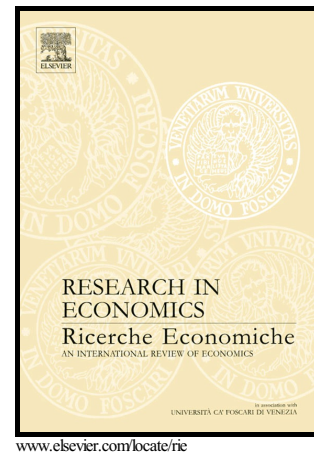


Author's Accepted Manuscript

Research in Economics and Industrial Organization

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PII: S1090-9443(16)30231-9
DOI: <http://dx.doi.org/10.1016/j.rie.2016.10.002>
Reference: YREEC694

To appear in: *Research in Economics*

Cite this article as: Federico Etro, Research in Economics and Industrial Organization, *Research in Economics*
<http://dx.doi.org/10.1016/j.rie.2016.10.002>

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Research in Economics and Industrial Organization

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This Special Issue of *Research in Economics* is dedicated to the field of Industrial Organization (IO) with a variety of articles by some of the best experts in the field. In this introduction we present these essays and the related literature, with a particular emphasis on the positive research (the analysis of market structures) and on the normative research (industrial policy).

Traditionally associated with the first formal models of competition by Augustine Cournot in 1838, Francois Bertrand in 1883, Harold Hotelling in 1929 and Heinrich von Stackelberg in 1934, the field of IO includes now a large body of theoretical and empirical literature on the organization and scope of firms, on market structures ranging from monopolies and cartels to oligopolies with an endogenous number of firms, and on the investments in innovation and marketing that affect the same market structures. The articles of this issue will follow this traditional sequence of topics, providing (we hope) a useful reading list for an IO course, which could be complementary to the best recent textbooks in the field, such as Cabral (2000a), Pepall, Richards and Norman (2005) and Carlton and Perloff (2015) at the undergraduate level and Martin (1993a), Shy (1995) and Belleflamme and Peitz (2015) at a more advanced level.

In almost every area of industrial organization, from the theory of the firm to antitrust economics, there are two contrasting perspectives. One, associated with the Chicago School of economics, trusts agents rationality and competitive pressure as conducive to an efficient allocation of resources: for instance, this implies that an incumbent monopolist cannot foreclose entry of a more efficient entrant through predatory pricing or exclusive dealing contracts, and cannot expand its profits through vertical agreements with downstream firms or by bundling a secondary product (see Director and Levi, 1956; Posner, 1973; Bork, 1978). The alternative view, developed in game theoretic models of the so-called post-Chicago tradition, shows that market imperfections, asymmetric information and incomplete contracts can often lead to an inefficient allocation of resources: for instance, entry deterrence can be the equilibrium of duopolistic games under a variety of conditions. A relevant portion of this line of research is associated with exponents of the Toulouse School of Economics (see Tirole, 1988, and Laffont and Tirole, 1993, on antitrust and regulatory implications). We will encounter aspects of both these perspectives in this volume.

* * *

A *theory of the firm* and of the behavior of its managers should be the starting point of any analysis of industrial organization, as well as of microeconomics. A famous essay by Coase (1937) was the first to ask what the boundaries of a firm are and when a firm should

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