



## Department of Economics

### Course Outline

		<b>Term:</b> Fall 2007
<b>Course:</b>	Economics 471 [Industrial Organization]	<b>Section:</b> 1
<b>Time:</b>	TR 12:30-13:45	<b>Place:</b> ENC 129 (subject to change)
<b>Instructor:</b>	Dr. J. Church	
<b>Office:</b>	SS 442	<b>Tel. no.:</b> 220-6106
<b>Office hours:</b>	TR 14:00-15:00 and by appointment	<b>E-mail:</b> <a href="mailto:jrchurch@ucalgary.ca">jrchurch@ucalgary.ca</a>

#### Textbook:

Church, J., and R. Ware. 2000. *Industrial Organization: A Strategic Approach*. San Francisco: McGraw-Hill. Available online at <http://homepages.ucalgary.ca/~jrchurch/page4/page5/page5.html>.

Church, J. 2004. *The Impact of Vertical and Conglomerate Mergers on Competition*. Brussels: European Commission online at <http://europa.eu.int/comm/competition/mergers/others/#study>.

Eichenwald, K. 2000. *The Informant*. New York: Broadway Books. (*Recommended*)

Required and recommended readings will be assigned from material on reserve in the MacKimmie Library, from the periodical collection in the MacKimmie Library, and the internet.

#### Book(s) on Reserve:

ABA Section of Antitrust Law. 2004. *Mergers and Acquisitions: Understanding the Antitrust Issues*, 2<sup>nd</sup> edition. Chicago: ABA Publishing.

Carleton, D., and J. Perloff. 2005. *Modern Industrial Organization*. 4th ed. Boston: Addison Wesley.

- Church, J., and R. Ware. 2000. *Industrial Organization: A Strategic Approach*. San Francisco: McGraw-Hill.
- Clarke, R. and E. Morgan, eds. 2007. *New Developments in UK and EU Competition Policy*. Northampton, MA.: Edward Elgar.
- Gibaldi, J. 2003. *MLA Handbook for Writers of Research Papers*. 6th ed. New York: Modern Language Association of America.
- Kesenne, S . 2007. *The Economic Theory of Professional Sports Teams*. Northampton, MA.: Edward Elgar.
- Kirkwood, J. ed. 2004. *Antitrust Law and Economics*. Vol. 21 *Research in Law and Economics*, Amsterdam: Elsevier.
- Kwoka, J. E., Jr., and L. J. White, ed. 2003. *The Antitrust Revolution*. 4th ed. Oxford: Oxford University Press.
- Lambertini, L. 2006. *The Economics of Vertically Differentiated Markets*. Northampton, MA.: Edward Elgar.
- Motta, M. 2004. *Competition Policy: Theory and Practice*. Cambridge: CUP.
- Pepall, L., D. Richards, and G. Norman. 2004. *Industrial Organization: Contemporary Theory and Practice*. 3rd ed.
- Schelling, T. 1960. *The Strategy of Conflict*. Cambridge, Mass.: Harvard University Press.
- Schumpeter, J. 1942. *Capitalism, Socialism, and Democracy*. New York.
- Slottje, D., ed. 2003. *Measuring Market Power*. Amsterdam: Elsevier.
- Whinston, M. 2006. *Lectures on Antitrust Economics*. Cambridge, Mass.: MIT Press.

**Blackboard:**

This course will make use of Blackboard - students who are registered in the course can log on at <http://blackboard.ucalgary.ca/webapps/login>. Please note that Blackboard features a class email list that I will use. It is your responsibility to make sure that Blackboard uses the email of your choice. The default is your University of Calgary email address.

**Course Description:**

“Rents-how to spot them, grab them, hang onto them. That's what strategy should be.”

The objective of this course is to provide an introduction to the theory of industrial organization. Industrial organization is concerned with the functioning of imperfectly competitive markets and the behaviour of firms in these markets. It attempts to address the following questions: 1) Why are markets organized as they are? 2) How does the organization affect the way in which firms behave? 3) How does the behaviour of firms influence the structure or organization of markets? The focus is on the strategic behaviour of firms. How can firms create monopoly rents or profits and maintain them? What are the social implications of these kinds of behaviour? The last question naturally leads to issues of economic regulation and antitrust policy. Econ 477 is a course in regulatory economics and Econ 571 is a course in competition policy. Econ 471 is a prerequisite to both.

**Course Outline:**

1. Introduction
2. Welfare Economics of Market Power and Price Discrimination
3. Market Definition
4. Game Theory 1
5. Oligopoly and Mergers
6. Game Theory 2
7. Collusion and Cartels
8. Introduction to Strategic Behaviour
9. Entry Deterrence and Two-Stage Games
10. Topics in Antitrust Economics
  - i) Tying
  - ii) Predatory Pricing
  - iii) Vertical Mergers
  - iv) Exclusionary Contracting
11. Network Externalities (Time Permitting)

**The Department of Economics Writing Program:**

Econ 471 is one of four courses this academic year included in the Economics Writing Program. The only way to learn effective writing skills is to practice writing. In addition to the usual two lectures, students have the option of attending a weekly writing tutorial delivered by the Effective Writing Office. The tutorial for 471 is Tuesdays from 17:00-18:00 in ST 126. Our effective writing instructor is Diane Guichon. Her email and office hours are [d.guichon@shaw.ca](mailto:d.guichon@shaw.ca) and Tuesdays and Wednesdays 16:00-17:00 SS 106 (the Writing Centre) or by appointment.

A significant portion of the course grade will be determined by writing assignments. Hence the writing tutorials are **not** really optional. The initial trio of writing assignments will consist of two very short writing exercises due in September that will be graded as Pass or Fail. Failure to complete these two assignments will result in a reduction of a student's mark on the third assignment by a full letter grade. The third assignment involves a short commentary on a famous antitrust case. This "View Point" exercise and the other two writing assignments will be graded by the Effective Writing Instructor. The draft is due October 1, the final version October 9.

For the first third of the course the writing tutorials will cover topics such as generating ideas; researching sources (session to be held with the librarian for Economics); organizing and structuring effective arguments; and the mechanics of sentences, paragraphs, punctuation, and self-editing.

The Effective Writing Tutorials in the last two thirds of the course will focus on developing skills necessary for the successful completion of a major research project consisting of a fifteen to twenty page analysis of a major antitrust case. The paper will be written and submitted in four stages. Further information on the research project will be available on Blackboard.

The course also features two problem sets. The problems sets are intended to prepare students for the midterm and final exam.

**Grade Determination and Final Examination Details:**

Midterm	15%
Problem Sets (2 @ 7.5% each)	15%
Case Analysis	30%
Writing Assignment	10%
FINAL EXAMINATION	<u>30%</u>
	100%

**Notes:**

Students must receive a passing grade on the final exam to pass the course. As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work. Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during his office hours.

There will be a Registrar scheduled final examination which will be two hours in duration. It will be held in a classroom. The final examination will be comprehensive. Tests and exams will not involve multiple choice questions. Calculators and communication devices are not allowed in exam rooms.

Students seeking reappraisal of a piece of graded term work (term paper, essay, assignment etc.) should discuss their work with the Instructor within fifteen days of the work being returned to the class.

Students will be given at least one week to complete each problem set. Late problem sets will never be accepted. In cases of documented illness or family emergency, extra weight will be given to the final examination. Students are reminded that this course has an implicit calculus prerequisite and calculus compatible notation will be used. The assignments will require extensive use of high school level algebra and, on occasion, simple calculus.

The date of the midterm is October 25. In cases of documented illness or family emergency, extra weight will be given to the final examination if the midterm is not written.

The official grading system will be used. A letter grade will be awarded based on the numeric average of the two problem sets.

It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.

Students' Union Vice-President Academic:

Brittany Sargent

Phone: 220-3911

E-mail [suypaca@ucalgary.ca](mailto:suypaca@ucalgary.ca)

Students' Union Faculty Representative (Social Sciences)

Nav Thind

Phone: 220-3913 Office: MSC 251

E-mail [socialscirep@su.ucalgary.ca](mailto:socialscirep@su.ucalgary.ca)

Society of Undergraduates in Economics (S.U.E.):

[www.ucalgary.ca/~sue](http://www.ucalgary.ca/~sue)

Safeway /Campus Security: 220-5333

\* \* \* \* \*

JRC: