



Department of Economics

Course Outline

		Term:	Fall 2011
Course:	Economics 471 [Industrial Organization]	Section:	01
Time:	TR 12:30-13:45	Place:	MS 319 (subject to change)
Instructor:	Dr. J. Church		
Office:	SS 442	Tel. no.:	220-6106
Office hours:	TR 11:00-12:00 and by appointment	E-mail:	jrchurch@ucalgary.ca

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. Available online at

http://ec.europa.eu/competition/mergers/studies_reports/merger_impact.pdf.

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. 2008. *Mergers and Acquisitions: Understanding the Antitrust Issues*, 3rd edition. Chicago: ABA Publishing.

ABA Section of Antitrust Law. 2008. *Issues in Competition Law and Policy*. Chicago: ABA Publishing. Three Volumes.

- Belleflame, P, and M. Peitz. 2010. *Industrial Organization: Markets and Strategies*. Cambridge: Cambridge University Press.
- Carleton, D., and J. Perloff. 2005. *Modern Industrial Organization*. 4th ed. Boston: Addison Wesley.
- Eichenwald, K. 2000. *The Informant*. New York: Broadway Books.
- Facey, B.A., and D. H. Assaf. 2006. *Competition & Antitrust Law: Canada and the United States*. 3rd ed. Markham, Ontario: LexisNexis Butterworths.
- Gunnar, N., H. Jenkins, and J. Kavanagh. 2011. *Economics for Competition Lawyers*. Oxford: Oxford University Press.
- Hylton, K. 2010. *Antitrust Law and Economics*. Edward Elgar. Northampton, Mass.: Edward Elgar.
- Hovenkamp, H. 2006. *The Antitrust Enterprise*. Cambridge: Harvard University Press.
- Landsburg, S. 1993. *The Armchair Economist*. Toronto: Maxwell MacMillan.
- Martin, S. 2010. *Industrial Organization in Context*. Oxford: Oxford University Press.
- Pepall, L., D. Richards, and G. Norman. 2008. *Industrial Organization: Contemporary Theory and Practice*. 4th ed. Wiley-Blackwell.
- Reback, G. 2009. *Free the Market!* New York: Portfolio Group.
- Stikeman Elliot. 2009. *2010 Competition Act & Commentary*. Markham, Ontario: LexisNexis.
- Utton, M. 2011. *Cartels and Economic Collusion: The Persistence of Corporate Conspiracies*. Northampton, Mass.: Edward Elgar.

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. Both 477 and 571 are scheduled for Winter 2011. Econ 471 and Econ 571 will be organized as a single course. Econ 471 will develop analytical foundations, while Econ 571 will focus on applying the tools and concepts. The course requirements for Econ 571 will include a major writing assignment, typically an economic analysis of a major antitrust case.

Summer Internship in Regulatory Economics:

Students who complete Econ 471 and Econ 477 may be eligible for the Summer Internship Program in Regulatory Economics. See

http://econ.ucalgary.ca/sites/econ.ucalgary.ca/files/StudentAnnouncementInternships2011_1.pdf for the 2011 announcement. In the summer of 2011 five students were placed at the Alberta Market Surveillance Administrator, Enbridge Inc., ENMAX Corporation, and the Alberta Utilities Commission. There were unfilled spots at a number of other firms/organizations.

Course Outline:

- I. Foundations
 1. Introduction
 2. Welfare Economics of Market Power
- II. Monopoly
 3. Market Power and Dominant Firms
 4. Non-Linear Pricing and Price Discrimination
- III. Transaction Costs, Vertical Control, and Profit-Maximization
 5. The Economics of Coordinating Economic Activities: Firms and Markets
 6. Inside the Black Box of the Firm: Incentives and Profit Maximization
- IV. Oligopoly
 7. Game Theory I
 8. Oligopoly
 9. Game Theory II
 10. Collusion and Cartels

V. Strategic Behaviour

11. An Introduction to Strategic Behaviour
12. Entry Deterrence
13. Strategic Behaviour
14. Predation

Grade Determination and Final Examination Details:

Midterm	20%
Problem Sets	30%
FINAL EXAMINATION	<u>50%</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 will be announced the first week of classes. 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 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

Ola Mohajer

Phone: 403-220-3911

E-mail: suypaca@ucalgary.ca

Students' Union Faculty Representative (Arts)

Phone: 403-220-3913 Office MSC 251

E-mail: arts1@su.ucalgary.ca

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

E-mail: sue@ucalgary.ca

www.ucalgary.ca/sue/

Safewalk / Campus Security: 403-220-5333
Emergency Assembly Point – Social Sciences Food Court

* * * * *

JRC: