



## Department of Economics

### Course Outline

		<b>Term:</b>	Fall 2013
<b>Course:</b>	Economics 471 [Industrial Organization]	<b>Section:</b>	01
<b>Time:</b>	MWF 11:00-11:50	<b>Place:</b>	SA 247 (subject to change)
<b>Instructor:</b>	Dr. J. Church		
<b>Office:</b>	SS 442	<b>Tel. no.:</b>	403-220-6106
<b>Office hours:</b>	MWF 12:00-12:50 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. Available online at [http://bookshop.europa.eu/en/the-impact-of-](http://bookshop.europa.eu/en/the-impact-of-vertical-and-conglomerate-mergers-on-competition-pbKD7105158/)

[vertical-and-conglomerate-mergers-on-competition-pbKD7105158/](http://bookshop.europa.eu/en/the-impact-of-vertical-and-conglomerate-mergers-on-competition-pbKD7105158/)

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.
- Gibbons, R. and J. Roberts. 2013. *The Handbook of Organizational Economics*. Princeton: Princeton University Press.
- 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.
- Marshall, R. and L. Marx. 2012. *The Economics of Collusion*. Cambridge: MIT Press.
- Martin, S. 2010. *Industrial Organization in Context*. Oxford: Oxford University Press.
- Reback, G. 2009. *Free the Market!* New York: Portfolio Group.
- Stikeman Elliot. 2012. *2013 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. Presently only Econ 477 is scheduled for the academic year 2013-2014.

### **Summer Internship in Regulatory Economics:**

Students who complete Econ 471 and Econ 477 may be eligible for the Summer Internship Program in Regulatory Economics. This program has placed students with regulated firms and regulators in Calgary since the summer of 2000. In the summer of 2013 eight students were placed. Details on the program can be found in the call for applications from previous years. The 2011 call for applications is available online and the 2014 call will be similar.

See [http://econ.ucalgary.ca/sites/econ.ucalgary.ca/files/StudentAnnouncementInternships2011\\_1.pdf](http://econ.ucalgary.ca/sites/econ.ucalgary.ca/files/StudentAnnouncementInternships2011_1.pdf)

### **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. Online writing resources are available at <http://ucalgary.ca/ssc/writing-support/online-writing-resources>

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:

Emily Macphail

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Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career partnerships with the Career Centre through hosting industry nights and information sessions, recognizing achievements in teaching, and organizing social events for members. They invite you to join by contacting [sue@ucalgary.ca](mailto:sue@ucalgary.ca). See Society of Undergraduates in Economics (S.U.E.): <http://www.ucalgary.ca/sue/>

*Faculty of Arts Program Advising and Student Information Resources*

- Have a question, but not sure where to start? The Faculty of Arts Program Information Centre (PIC) is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580 or email them at [artsads@ucalgary.ca](mailto:artsads@ucalgary.ca). You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate> which has detailed information on common academic concerns.

- For program planning and advice, contact the Student Success Centre (formerly the Undergraduate programs Office) at 403-220-5881 or visit them on the 3<sup>rd</sup> Floor of the Taylor Family Digital Library.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Library Block.

Safewalk / Campus Security: 403-220-5333

Emergency Assembly Point: Social Sciences Food Court

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JRC: