

## Economics 471(L01) (Industrial Organization)

Instructor: J. Church  
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Lecture Location: ST 126  
Lecture Days/Time: MWF 12:00-12:50

Office: SS 442  
Office Hours: MWF 13:00-14:00

(Fall 2016)

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### Textbook(s):

#### *Required*

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-vertical-and-conglomerate-mergers-on-competition-pbKD7105158/>

#### *Optional*

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

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

### Book(s) on Reserve:

ABA Section of Antitrust Law. 2008. *Issues in Competition Law and Policy*. Chicago: ABA Publishing.  
Volumes I, II, and III.

Blair, R., and D. Sokol, eds. 2015. *The Oxford Handbook of International Antitrust Economics*. Oxford: Oxford University Press, Volumes 1 and II.

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

Evans, D. and R. Schmalensee. 2016. *Matchmakers: The New Economics of Multisided Platforms*.  
Harvard Business Review Press.

Gundlach, G. and R. Krotz. 2016. *Resale Price Maintenance After Leegin: The Curious Case of Contact Lenses*. CreateSpace Independent Publishing Platform.

Gibbons, R. and J. Roberts. 2013. *The Handbook of Organizational Economics*. Princeton: Princeton University Press.

Gunnar, N., H. Jenkins, and J. Kavanagh. 2016. *Economics for Competition Lawyers*. 2nd edition. Oxford: Oxford University Press.

Katz, M. and H. Rosen. 1998. *Microeconomics*. 3 ed. San Francisco: McGraw-Hill.

Hovenkamp, H. 2015. *Federal Antitrust Policy*. 5th Edition. St. Paul, Min.: West.

Landsburg, S. 1993. *The Armchair Economist*. Toronto: Maxwell MacMillan.

Marshall, R. and L. Marx. 2012. *The Economics of Collusion*. Cambridge: MIT Press.

Reback, G. 2009. *Free the Market!* New York: Portfolio Group.

Slottje, D., ed. 2003. *Measuring Market Power*. Amsterdam: Elsevier.

Tremblay, V., and C. Tremblay. 2012. *New Perspectives on Industrial Organization*. New York: Springer.

Watson, W. 2015. *The Inequality Trap: Fighting Capitalism Instead of Poverty*. Toronto: University of Toronto Press.

**Desire2Learn:**

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

**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.

**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. Details on the program can be found in the call for applications from previous years. See the Department of Economics website.

**Course Outline:**

- 1) Foundations
  - a) Introduction
  - b) Welfare Economics of Market Power
- 2) Monopoly
  - a) Market Power and Dominant Firms
  - b) Non-Linear Pricing and Price Discrimination
- 3) Oligopoly
  - a) Game Theory I
  - b) Oligopoly
  - c) Game Theory II

- d) Collusion and Cartels
- 4) Strategic Behaviour
  - a) An Introduction to Strategic Behaviour
  - b) Entry Deterrence
  - c) Strategic Behaviour
- 5) Transaction Costs, Vertical Control, and Profit-Maximization
  - a) The Economics of Coordinating Economic Activities: Firms and Markets
  - b) Inside the Black Box of the Firm: Incentives and Profit Maximization

**Grade Determination and Final Examination Details:**

MIDTERM EXAM	20%
FINAL EXAMINATION	50%
ASSIGNMENTS	<u>30%</u>
	100%

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.

**Students must receive a passing grade on the final exam to pass the course.**

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. The final examination will be comprehensive. If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam [www.ucalgary.ca/registrar/exams/deferred\\_final](http://www.ucalgary.ca/registrar/exams/deferred_final). Under no circumstance will this be accommodated by the Department.

Tests and exams will not involve multiple choice questions. Non-programmable calculators WILL be allowed during the writing of tests or final examinations.

The exact date for the in-class midterm will be announced at least one week in advance.

Students unable to write exams because of documented illness, family emergency, religious observance, or a university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

Students will be given at least one week to complete each assignment. Late assignments will never be accepted. In cases of documented illness, family emergency, religious observance, or a university-sanctioned event, extra weight will be given to the final examination.

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-2.html>. A letter grade will be awarded based on the numeric average of all assignments.

**Reappraisal of Grades:**

For reappraisal of graded term work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For reappraisal of final grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

A student who feels that a piece of graded term work (e.g., term paper, essay, test) has been unfairly graded, may have the work re-graded as follows. The student shall discuss the work with the instructor within 15 days of being notified about the mark or of the item's return to the class; no reappraisal of term work is permitted after the 15 days. If not satisfied, the student shall immediately take the matter to the Head of the Department of Economics, who will arrange for a reassessment of the work within the next 15 days. The reappraisal of term work may cause the grade to be raised, lowered, or to remain the same. If the student is not satisfied with the decision and wishes to appeal, the student shall address a letter of appeal to the Dean of the Faculty of Arts within 15 days of the unfavourable decision. In the letter, the student must clearly and fully state the decision being appealed, the grounds for appeal, and the remedies being sought, along with any special circumstances that warrant an appeal of the reappraisal. The student should include as much written documentation as possible.

**Plagiarism and Other Academic Misconduct:**

Intellectual honesty is the cornerstone of the development and acquisition of knowledge and requires that the contribution of others be acknowledged. Consequently, plagiarism or cheating on any assignment is regarded as an extremely serious academic offense. Plagiarism involves submitting or presenting work in a course as if it were the student's own work done expressly for that particular course when, in fact, it is not. Students should examine sections of the University Calendar that present a Statement of Intellectual Honesty and definitions and penalties associated with Plagiarism/Cheating/Other Academic Misconduct, <http://www.ucalgary.ca/pubs/calendar/current/k-5.html>.

**Academic Accommodation:**

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services; SAS will process the request and issue letters of accommodation to instructors. For additional information on support services and accommodations for students with disabilities Visit [www.ucalgary.ca/access/](http://www.ucalgary.ca/access/).

Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policy on Student Accommodations is available at <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>.

**Notes:***Important Dates*

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>

*Student Organizations*

Faculty of Arts Students' Association (F.A.S.A.):  
Economics Department Representative

Office: SS 803, E-mail: [econrep@fasaucalgary.ca](mailto:econrep@fasaucalgary.ca) Web: [www.fasaucalgary.ca](http://www.fasaucalgary.ca)

Society of Undergraduates in Economics  
[www.ucalgarysue.com](http://www.ucalgarysue.com)

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.

*Faculty of Arts Program Advising and Student Information Resources*

- Have a question, but not sure where to start? The Arts Students' Centre 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, including program planning and advice.
- 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.
- Online writing resources are available at <http://www.ucalgary.ca/ssc/resources/writing-support>

**Evacuation Assembly Point:**

In case of an emergency evacuation during class, students must gather at the designated assembly point. The assembly point for this classroom is the Professional Faculties Food Court.

**Safewalk:**

The safewalk program provides volunteers to walk students safely to their destination anywhere on campus. This service is free and available 24 hrs/day, 365 days a year. **Call 403-220-5333.**

JRC  
2016-09-01