



## Department of Economics Course Outline

<b>Course:</b>	Economics 667 [Industrial Organization]	<b>Term:</b>	Winter 2012
<b>Time:</b>	TR 12:30-13:45	<b>Section:</b>	01
<b>Instructor:</b>	Dr. J. Church	<b>Place:</b>	ST 127
<b>Office:</b>	SS 442	<b>Telephone:</b>	220-6106
<b>Office Hours:</b>	TR 11:00-12:00 and by appointment	<b>E-Mail:</b>	<a href="mailto:jrchurch@ucalgary.ca">jrchurch@ucalgary.ca</a>

### Textbook(s):

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

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

Tirole, J. 1988. *Theory of Industrial Organization*. Cambridge, Mass.: MIT Press. [Recommended.]

Tirole is the standard text, but is a bit dated. Church and Ware is an advanced undergraduate text that, while covering much of the same ground as Tirole, reflects more recent advances, has an antitrust focus, and features real world applications/examples. My study on vertical mergers substantially updates the material on anticompetitive strategies in Church and Ware. In addition, the third volume of the Handbook of Industrial Organization was published in 2007. Individual chapters of it, if necessary, can be purchased individually online.

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. *Issues in Competition Law and Policy*. Chicago: ABA Publishing.  
Three Volumes.
- Anderson, S., A. Palma, and J.-F. Thisse. 1992. *Discrete Choice Theory of Product Differentiation*.  
Cambridge, Mass.: MIT Press.
- Armstrong, M, and R. Porter. 2007. *Handbook of Industrial Organization*. Amsterdam: North-Holland.  
Volume 3.
- Belleflame, P, and M. Peitz. 2010. *Industrial Organization: Markets and Strategies*. Cambridge:  
Cambridge University Press.
- Davis, P., and E. Garces. 2010. *Quantitative Techniques for Competition and Antitrust Analysis*.  
Princeton: Princeton University Press.
- Drexl, J., L. Idot, J. Moneger. 2009. *Economic Theory and Competition Law*. Northampton, Mass.:  
Edward Elgar.
- Hovenkamp, H. 2005. *Federal Antitrust Policy: The Law of Competition and Its Practice*. 3<sup>rd</sup> edition.  
St. Paul: Thomson-West.
- Motta, M. 2004. *Competition Policy: Theory and Practice*. Cambridge: CUP.
- Perloff, J., L. Karp, and A. Golan. 2007. *Estimating Market Power and Strategies*. Cambridge:  
Cambridge University Press.
- Pitofsky, R. 2008. *How the Chicago School Overshot the Mark*. Oxford. Oxford University Press.
- Schmidt, H. 2009. *Competition Law, Innovation, and Antitrust*. Northampton, Mass.: Edward Elgar.
- Slottje, D., ed. 2003. *Measuring Market Power*. Amsterdam: Elsevier.
- Schmalensee, R. and R. Willig, ed. 1989. *Handbook of Industrial Organization*. Amsterdam: North-  
Holland. Volume 1.
- Tirole, J. 1988. *Theory of Industrial Organization*. Cambridge, Mass.: MIT Press.
- Whinston, M. 2006. *Lectures on Antitrust Economics*. Cambridge: MIT Press.

**Course Description:**

The central organizing principle of this course is market power: its acquisition, maintenance, and exercise. The course will focus on both theory and application, with an emphasis on how industrial organization does, and should, inform competition policy and antitrust law. Antitrust law attempts to prevent behaviour which leads to the creation, enhancement, or maintenance of market power. The

focus will be on appropriate enforcement policy with respect to collusion, mergers, abuse of dominant position/monopolization, and vertical contracting/restraints. Time permitting, we will address the economics of intellectual property rights and the appropriate interface between antitrust laws and intellectual property law.

### **Brief Course Outline:**

- 1) Market Power and Price Discrimination
  - i) Tying/Bundling
  - ii) Durable Goods Monopoly
- 2) Oligopoly and Game Theory
  - i) Product Differentiation
  - ii) Price Discrimination
  - iii) Market Definition
  - iv) Horizontal Mergers
  - v) Collusion and Price Fixing
- 3) Explaining Market Structure: Strategic Behaviour and Entry Barriers
- 4) Monopolization
  - i) Vertical Mergers and Raising Rivals' Costs
  - ii) Preemption
  - iii) Tying
  - iv) Exclusionary Contracting
- 5) Predation
- 6) Intellectual Property and Competition Policy

A detailed list of topics and readings will be provided.

### **Grade Determination and Final Examination Details:**

Midterm	30%
Problem Sets	20%
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.

The final examination will be comprehensive and scheduled by the Department. 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.

The date of the midterm will be announced at least one week in advance. 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.

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

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JRC: