

## Economics 667(L01) (Industrial Organization)

Instructor: J. Church  
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Lecture Location: SS 423 (subject to change)  
Lecture Days/Time: MW 9:30-10:45

Office: Zoom Delivery  
Office Hours: MW 14:00-15:00

(Winter 2022)

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### 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.

### Tentative Course Outline:

1. Introduction and Exercise of Market Power
  - a. Competition policy in Canada and current antitrust issues
  - b. Theory of the firm
  - c. Exercise of market power: source and effects
    - i. Monopoly, dominant firm, and durable goods monopolist
    - ii. Applications: Two-sided platforms, electricity in Alberta, essential facilities
  - d. Product quality, selection, and advertising
  - e. Price discrimination and monopoly bundling and tying
2. Oligopoly and Game Theory
  - a. Nash equilibrium
  - b. Classic oligopoly
    - i. Cournot
      1. Free entry
    - ii. Bertrand
      1. Capacity Constraints
      2. Product Differentiation
  - c. Supply function equilibria
  - d. Bayesian-Nash equilibria
    - i. Application: HTR
3. Mergers, Market Definition, and Product Differentiation
  - a. Product Differentiation
    - i. Hotelling
    - ii. Logit
  - b. Identifying Market Power
    - i. Market definition
    - ii. SCP

- iii. Monopoly profits
  - c. Applications: Merger analysis
    - i. Market definition and concentration: structural presumptions
    - ii. Upward pricing pressure
    - iii. Merger simulation
- 4. Market Structure and Strategic Behaviour
  - a. Commitments, threats, strategic moves, and subgame perfection
  - b. Entry deterrence
    - i. Application: MSA v. TAU and Abuse of dominance
  - c. Raising Rivals' Costs
  - d. Vertical mergers
  - e. Tying
  - f. Exclusive dealing
  - g. Collusion
  - h. Predation

A detailed list of topics and readings will be provided.

**Required Textbook(s):**

Church, J. 2006. The Impact of Vertical and Conglomerate Mergers on Competition Brussels: European Commission. [Recommended for certain chapters. Available online at <http://bookshop.europa.eu/en/the-impact-of-vertical-and-conglomerate-mergers-on-competition-pbKD7105158/>]

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.

Church and Ware is an advanced undergraduate text that has an antitrust focus and features real world applications/examples. It is similar in coverage to the standard graduate textbook (Tirole). 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 online.

**Books on Reserve:**

List will be posted at Econ 571 D2L website.

**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.

**Grade Determination/Assessment:**

|                   |            |
|-------------------|------------|
| MIDTERM EXAM      | 25%        |
| FINAL EXAMINATION | 50%        |
| Problem Sets      | <u>25%</u> |
|                   | 100%       |

**Grade Determination and Final Examination Details:**

The official grading system will be used. See <https://www.ucalgary.ca/pubs/calendar/current/f-1-2.html>.

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

If a student's letter grade on the final exam exceeds their midterm letter grade, the weight of the midterm will be transferred to the final exam.

There will be a department scheduled final examination, held in a classroom, lasting 2 hours.

Tests and exams will not involve multiple choice questions.

Calculators and communication devices are not allowed in exam rooms.

The final examination will be comprehensive.

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

A letter grade will be awarded based on the numeric average of the problem sets.

**Absence from a Test/Exam:**

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES under any circumstances, nor may the quizzes be written early. Students unable to write the quizzes because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise, a grade of zero will be assigned. If a student cannot write their final exam on the date assigned by the Department, they need to arrange for a deferred exam with the department..

**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>

**Academic Misconduct:**

Academic Misconduct refers to student behavior that compromises proper assessment of students' academic activities and includes: cheating; fabrication; falsification; plagiarism; unauthorized assistance; failure to comply with an instructor's expectations regarding conduct required of students completing academic assessments in their courses; and failure to comply with exam regulations applied by the Registrar.

Student committing academic misconduct during the final exam will not receive a passing grade for the course.

For information on the Student Academic Misconduct Policy, Procedure and Academic Integrity, please visit: <https://www.ucalgary.ca/pubs/calendar/current/k-3.html>

**Academic Accommodations:**

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. 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

<https://www.ucalgary.ca/legal-services/university-policies-procedures/accommodation-students-disabilities-procedure>

**Freedom of Information and Protection of Privacy (FOIP) Act:**

Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see <https://www.ucalgary.ca/legal-services/access-information-privacy>

**Copyright Legislation:**

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at <https://www.ucalgary.ca/legal-services/university-policies-procedures/acceptable-use-material-protected-copyright-policy> Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Course materials created by instructors (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the instructor. These materials may NOT be reproduced, redistributed or copied without the explicit consent of the instructor. The posting of course materials to third party websites such as note-sharing sites without permission is prohibited. Sharing of extracts of these course materials with other students enrolled in the course at the same time may be allowed under fair dealing.

**Recording of Lectures:**

Recording of lectures is prohibited, except for audio recordings authorized as an accommodation by SAS or an audio recording for individual private study and only with the written permission of the instructor. Any unauthorized electronic or mechanical recording of lectures, their transcription, copying, or distribution, constitutes academic misconduct. See <https://www.ucalgary.ca/pubs/calendar/current/e-6.html>.

**Important Dates:**

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

**Student Organizations:**

Faculty of Grad Studies website: <http://grad.ucalgary.ca/home>

Graduate Students Association: <http://gsa.ucalgary.ca/>

Professional Development for Grad Students

Workshops and resources can be found at <http://www.ucalgary.ca/mygradskills/>

Economics Graduate Association: <http://econ.ucalgary.ca/ega/>

**Student Support and Resources:**

- See <https://www.ucalgary.ca/registrar/registration/course-outlines> for information on campus mental health resources, the Student Ombuds Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at <https://ucalgary.ca/student-services/student-success/writing-support>.
- 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 Tower.

**Notes:**

1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.
2. A detailed list of topics and readings will be provided. Required and recommended readings will be drawn from the textbooks, from titles on reserve in the Library, electronically on the internet, and handouts posted to D2L.

JRC

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