



# ECON309

## Industrial Organisation

S2 Evening 2017

*Dept of Economics*

### Contents

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<u>General Information</u>	2
<u>Learning Outcomes</u>	2
<u>Assessment Tasks</u>	3
<u>Delivery and Resources</u>	5
<u>Unit Schedule</u>	5
<u>Policies and Procedures</u>	6
<u>Graduate Capabilities</u>	7
<u>ECON309 Unit Website</u>	9
<u>Research and Practice</u>	9

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff  
Unit Convenor and Lecturer  
Jordi McKenzie  
[jordi.mckenzie@mq.edu.au](mailto:jordi.mckenzie@mq.edu.au)  
Contact via [jordi.mckenzie@mq.edu.au](mailto:jordi.mckenzie@mq.edu.au)  
E4A 408  
Wednesday 2-4PM

Credit points  
3

Prerequisites  
6cp at 200 level including (ECON200 or ECON203)

Corequisites

Co-badged status

Unit description

In standard economic theory, markets exist to allocate and distribute a nation's wealth through the process of exchange. The way in which a society organises these markets and the purposes to which the resulting structures are put, cannot be understood without in turn comprehending the way in which industries are organised within that economy, specifically the contractual arrangements that facilitate economic exchange. This unit analyses markets, firms and government as simply three different institutional or governance structures that serve to accomplish given economic objectives. The issue then becomes not which one should be utilised, but which is the most efficient mix. The actual mix chosen depends upon the comparative transaction costs of using each one.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Knowledge: Recognise the relevance of industrial organisation in the contemporary world and the fundamental models of microeconomics needed to develop a deeper understanding of the subject matter.

Communication: Demonstrate the ability to effectively communicate theories and knowledge of industrial organisation in technical and non-technical language.

Ethical reasoning: Be able to evaluate economic theory and real-world application relevant to efficiency and equity considerations.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u><a href="#">Class Test</a></u>	20%	No	Week 8
<u><a href="#">Research Report</a></u>	20%	No	Week 10
<u><a href="#">Final Examination</a></u>	60%	No	University Examination Period

### Class Test

Due: **Week 8**

Weighting: **20%**

The class test will be held in (teaching) Week 8. The test will include 20 multiple choice questions and will be of 60 minutes duration (plus 5 minutes reading time). The test will cover material from topics 1-6 (inclusive). Further details will be provided in due course.

Students who do not sit the class test will be awarded a mark of 0, except for cases in which an application for 'Disruption to Studies' has been made and approved. In this event, students will sit a further class test at a time and date decided by the Unit Convenor. Students should note that applications for 'Disruption to Studies' are reviewed by a Faculty committee and suspected non-genuine cases will not be granted. Students should also be aware that the further class test will be thoroughly comprehensive of all material taught in topics 1-6.

On successful completion you will be able to:

- Knowledge: Recognise the relevance of industrial organisation in the contemporary world and the fundamental models of microeconomics needed to develop a deeper understanding of the subject matter.

### Research Report

Due: **Week 10**

Weighting: **20%**

Industry regulators such as the Australian Competition and Consumer Commission (ACCC) routinely monitor a variety of industries to assess competition and market efficiency in the interest of consumers. A recent market study by the ACCC relates to the Australian communications sector (see <https://www.accc.gov.au/about-us/market-studies/communications-sector-market-study>).

Each student is required to complete a **research report of 1000 words** (excluding references) on the following:

1. *What are some of the main issues identified in the submissions of business and consumers related to the ACCC market study of the communications sector in Australia? From an economic perspective, what are the implications of these issues in terms of efficiency and equity arguments?*

The research report is due on Friday October 20 (week 10) at 2pm and must be submitted both online through iLearn and in hard copy.

No extensions will be granted except for cases in which an application for Disruption to Studies has been made and approved. Late submissions will be penalised at the rate of 10% per 24 hour period.

Further information about the Research Report will be provided in the first week of lectures.

On successful completion you will be able to:

- Ethical reasoning: Be able to evaluate economic theory and real-world application relevant to efficiency and equity considerations.

## Final Examination

Due: **University Examination Period**

Weighting: **60%**

The final examination is of 2 hours duration and will be held in the official Macquarie University examination period. The final exam will include only material not covered in the class test, i.e. topics 7-11. The final examination will include both multiple choice and short answer questions. Further details of the structure of the final examination will be provided in due course.

Students who do not sit the final exam will be awarded a mark of 0, except for cases in which an application for 'Disruption to Studies' has been made and approved. In this event, students will sit a further final exam at a time and date decided by the Department of Economics. Students should note that applications for 'Disruption to Studies' are reviewed by a Faculty committee and suspected non-genuine cases will not be granted. Students should also be aware that the further final exam will be thoroughly comprehensive of all material taught in topics 7-11.

On successful completion you will be able to:

- Knowledge: Recognise the relevance of industrial organisation in the contemporary world and the fundamental models of microeconomics needed to develop a deeper understanding of the subject matter.
- Communication: Demonstrate the ability to effectively communicate theories and knowledge of industrial organisation in technical and non-technical language.

## Delivery and Resources

Lecture time and location:

**Tuesday 6-9pm; Room W5A T2 Theatre**

Please note lecture time and venue are subject to change and students are advised to check <https://timetables.mq.edu.au/2017/> to confirm times and venues.

The teaching format for this class is one 3-hour session per week. This session will typically consist of a 2 hour formal lecture and 1 hour workshop. It is strongly recommended that students attend all lectures and workshops.

Consultation hours: Wednesday 2-4pm (E4A 408).

Prescribed textbook:

- Pepall, L., D Richards and G. Norman, 2014, *Industrial Organization: Contemporary Theory and Empirical Applications*, 5th Edition, Wiley.

The text is available from the Coop Bookshop and is also available as an e-book.

It is essential that all students have a copy of this textbook. Not owning a copy, or at least not having access to a copy, will seriously disadvantage you in this course. Other textbooks which may also be useful include:

- Church, J. and R. Ware, 2000, *Industrial Organization: A strategic approach*, McGraw-Hill, Boston (This text is available online free of charge at: <http://homepages.ucalgary.ca/~jrchurch/page4/page4.html>).
- Cabral, L., 2000, *Introduction to Industrial Organization*, MIT Press, Cambridge.
- Shy, O., 1995, *Industrial Organization*, MIT Press, Cambridge, 1995.
- Waldman, D.E., and Jensen, E., 2013, *Industrial Organization Theory and Practice*, Fourth Edition.

For a more advanced treatment of the material covered in this course you may want to consider the following textbooks:

- Belleflamme, P. and M. Peitz, 2010, *Industrial Organization: Markets and Strategies*, Cambridge University Press, New York.
- Tirole, J. 1988, *The Theory of Industrial Organization*, MIT Press, Cambridge

## Unit Schedule

Week	Topic	Reading*	Workshop content
1	1. Introduction to IO; Microeconomics review	PRN 1, 2	

2	2. Market structure and power; Technology and cost	PRN 3, 4	Topic 1
3	3. Price discrimination	PRN 5, 6	Topic 2
4	4. Product variety and quality	PRN 7	Topic 3
5	5. Bundling and tie-in sales	PRN 8	Topic 4
6	6. Cournot competition; Price competition	PRN 9, 10	Topic 5
7	7. Price competition (cont.); Dynamic games	PRN 10, 11	Topic 6
8	<i>Class test. No lecture or workshop.</i>		
9	8. Entry deterrence and predation; Predatory conduct	PRN 12, 13	Topic 7
10	9. Price fixing, repeated games and antitrust	PRN 14	Topic 8
11	10. Advertising, Market Power and Information; Research and Development	PRN 19, 20	Topic 9
12	11. Research and Development (cont.); Patents and Patent Policy	PRN 20, 21	Topic 10
13	<i>Review</i>		Topic 11

\* All readings taken from Pepall, Richards, and Norman (PRN), *Industrial Organization 5E*.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy [http://mq.edu.au/policy/docs/assessment/policy\\_2016.html](http://mq.edu.au/policy/docs/assessment/policy_2016.html)

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Complaint Management Procedure for Students and Members of the Public [http://www.mq.edu.au/policy/docs/complaint\\_management/procedure.html](http://www.mq.edu.au/policy/docs/complaint_management/procedure.html)

Disruption to Studies Policy (in effect until Dec 4th, 2017): [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html)

Special Consideration Policy (in effect from Dec 4th, 2017): <https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/special-consideration>

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student\\_conduct/](https://students.mq.edu.au/support/student_conduct/)

## Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they

are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](#).

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

## Learning outcomes

- Knowledge: Recognise the relevance of industrial organisation in the contemporary world and the fundamental models of microeconomics needed to develop a deeper understanding of the subject matter.
- Communication: Demonstrate the ability to effectively communicate theories and knowledge of industrial organisation in technical and non-technical language.
- Ethical reasoning: Be able to evaluate economic theory and real-world application relevant to efficiency and equity considerations.

## Assessment tasks

- Class Test
- Research Report
- Final Examination

## Critical, Analytical and Integrative Thinking

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

## Learning outcome

- Knowledge: Recognise the relevance of industrial organisation in the contemporary world and the fundamental models of microeconomics needed to develop a deeper understanding of the subject matter.

## Assessment tasks

- Class Test
- Final Examination

## Effective Communication

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to read, listen, question, gather and evaluate information resources in a variety of formats, assess, write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:



## Learning outcome

- Communication: Demonstrate the ability to effectively communicate theories and knowledge of industrial organisation in technical and non-technical language.

## Assessment task

- Final Examination

## Engaged and Ethical Local and Global citizens

As local citizens our graduates will be aware of indigenous perspectives and of the nation's historical context. They will be engaged with the challenges of contemporary society and with knowledge and ideas. We want our graduates to have respect for diversity, to be open-minded, sensitive to others and inclusive, and to be open to other cultures and perspectives: they should have a level of cultural literacy. Our graduates should be aware of disadvantage and social justice, and be willing to participate to help create a wiser and better society.

This graduate capability is supported by:

## Learning outcome

- Ethical reasoning: Be able to evaluate economic theory and real-world application relevant to efficiency and equity considerations.

## Assessment task

- Research Report

## ECON309 Unit Website

Course material is available on the learning management system (ilearn). The web page for this unit can be found at <https://ilearn.mq.edu.au/login/MQ/>

Students should check this site regularly for announcements, test results and lecture material.

## Research and Practice

- This unit gives you practice in applying research findings in your assignments
- This unit gives you opportunities to conduct your own research