



ECON309

Industrial Organisation

S1 Day 2013

Economics

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General Information

Unit convenor and teaching staff

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Unit Convenor

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Credit points

3

Prerequisites

6cp at 200 level including (ECON200 or ECON203) and 39cp

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:

understand the relationship between the conduct of firms, social welfare, and market outcomes;

Understand the role of the firm in the economic system and analyse what factors determine the boundaries of a firm;

Use theoretic tools to analyse firms' strategies concerning output and pricing decisions;

Making use of appropriate economic models, analyse firm behaviour in dynamic scenarios;

Understand the interaction of regulation, competition policy, price discrimination, collusion, product differentiation, strategic behaviour and entry deterrence on pricing and output decisions.

Assessment Tasks

Name	Weighting	Due
<u>Group Report</u>	20%	Week 12 Online/Lectures
<u>Test 1</u>	15%	Week 6
<u>Test 2</u>	15%	Week 11
<u>Final Examination</u>	50%	University Examination Period

Group Report

Due: **Week 12 Online/Lectures**

Weighting: **20%**

In **Week 3** (lecture times) students will be assigned into groups (no more than 4 students). The group project will be divided into two sections: **(i)** a strategy statement and **(ii)** a group report. The strategy statement will be no more than one page. Accompanying this strategy statement will be a group report supporting the logic advanced in the strategy statement. The group report must include a description of the firm its commercial and economic environment (i.e. market structure, internal and external constraints, nature of pricing, strategic behaviour, etc.). A SWOT analysis may be useful in this context. The group report must apply relevant economic theory to support the logic your group has advanced on how the firm operates in the context of its own relevant market structure. Ideally, as part of the description you should include the potential issues that the firm faces and importantly, how the firm could better advance their competitive position through strategic behaviour.

No extensions will be granted. Students who have not submitted the task on or before the deadline (submitted online and also in hard copy form in students' respective lecture stream) will be awarded a mark of 0 for the group report, except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

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- Understand the interaction of regulation, competition policy, price discrimination, collusion, product differentiation, strategic behaviour and entry deterrence on pricing and output decisions.

Test 1

Due: **Week 6**

Weighting: **15%**

Test 1 will be a written test that will be conducted in the first hour of Week 6 Teaching Week. It will consist of a range of short answer and long answer questions. Test 1 will cover material from Weeks 1-5 (inclusive). Details will be provided in due course.

On successful completion you will be able to:

- understand the relationship between the conduct of firms, social welfare, and market outcomes;
- Understand the role of the firm in the economic system and analyse what factors determine the boundaries of a firm;
- Understand the interaction of regulation, competition policy, price discrimination, collusion, product differentiation, strategic behaviour and entry deterrence on pricing and output decisions.

Test 2

Due: **Week 11**

Weighting: **15%**

Class Test 2 will be conducted in the first hour of lectures in Week 11. It will consist of a range of short and long answer questions. Associate Professor Tony Bryant will provide more details in due course.

On successful completion you will be able to:

- understand the relationship between the conduct of firms, social welfare, and market outcomes;

- Understand the role of the firm in the economic system and analyse what factors determine the boundaries of a firm;
- Use theoretic tools to analyse firms' strategies concerning output and pricing decisions;
- Making use of appropriate economic models, analyse firm behaviour in dynamic scenarios;
- Understand the interaction of regulation, competition policy, price discrimination, collusion, product differentiation, strategic behaviour and entry deterrence on pricing and output decisions.

Final Examination

Due: **University Examination Period**

Weighting: **50%**

The final examination is of 2 hours duration and to be held in the official Macquarie University examination period. All material covered in the entire semester is examinable. The final examination will typically be a range of short and long answer questions. Final details of the structure of the final examination will be provided in due course.

On successful completion you will be able to:

- understand the relationship between the conduct of firms, social welfare, and market outcomes;
- Understand the role of the firm in the economic system and analyse what factors determine the boundaries of a firm;
- Use theoretic tools to analyse firms' strategies concerning output and pricing decisions;
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Delivery and Resources

Lectures:

Time and Location: Tuesday 2-5pm; Room E7BT4 Theatre (Day Stream)

Thursday 6pm-9pm; E7BT4 Theatre (Evening Stream)

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/tutorial. The workshop/tutorial will be a time where the lecture material will be discussed with a range of questions from both students and staff. It is essential that students **attend all sessions** as the examination/tests will focus on

material discussed in the lectures and supplemented with relevant readings.

Recommended Textbook: 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>. A pdf copy will be placed on the *ilearn* ECON309 website. Please note other books also cover the material at a similar level and could be useful background or additional reading. These books include:

- Cabral, L., 2000, *Introduction to Industrial Organization*, MIT Press, Cambridge.
- Shy, O., 1995, *Industrial Organization*, MIT Press, Cambridge, 1995.
- Pepall, L., D Richards and G. Norman, 2008, *Industrial Organization: Contemporary Theory and Empirical Applications*, 4th Edition, South-Western, Mason.
- 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 books:

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

Unit Schedule

Week	Lecture Date	Topic	Reading List
1	26 th and 28 th February	Introduction, Basic Microeconomic concepts and tools, Game Theory concepts.	Church and Ware: Chapters 7&8, Cabral: Chapter 2
2	5 th and 7 th March	Theory of the Firm	Church and Ware: Chapter 3, Cabral: Chapters 3 &4.
3	12 th and 14 th March	Perfect Competition/ Monopoly	Church and Ware: Chapter 4, Cabral: Chapter 5, Shy: Chapter 5.

4	19th and 21 st March	Oligopoly/ Collusion/Regulation.	Church and Ware: Chapter 8, Cabral Chapter 8, Shy: Chapter 6, pp. 115-120.
5	26 th and 28 th March	Market Concentration/Market Power and Welfare	Cabral: Chapter 9, Shy: Chapter 8, pp. 169-173.
6	2 th and 4 th April	Mid-Semester Test 1 (First Hour of Lectures) Price Discrimination, Cartel's Behaviour and Prisoner's Dilemma.	
7	9 th and 11 th April	Game Theory and IO	Church and Ware: Chapter 7
		Mid-Semester Break 15th -26th April (Inclusive)	
8	30 th April and 2 nd May	Oligopoly and Best Response Functions	Church and Ware: Chapter 8.
9	7 th and 9 th May	Repeated Games, Collusion and Cartels.	Church and Ware: Chapter 9, pp. 340-48
10	14 th and 16 th May	Strategic Behaviour and the Stackelberg Game	Church and Ware: Chapter 13
11	21 st and 23 rd May	Mid-Semester Test 2 (First Hour of Lectures) Entry Deterrence	Church and Ware: Chapter 15
12	28 th and 30 th May May	Product Differentiation Group Assignment Due: Hard Copy and Online submission (More detail in Separate Handout)	Church and Ware: Chapter 11
13	4 th and 6 th June	Optimal Natural Monopoly Pricing	Church and Ware Chapter 25.

Learning and Teaching Activities

Learning and Teaching Tasks

ECON309 will consist of two (2) within session class tests (total 30%), one group work project (20%) and a 2 hour final examination during the official examination period (50%). All lecture material and readings will be examinable in the final examination. It is expected that students read in

Class Tests (30%)

There will be 2 within session exam for this course. Test 1(20%) will be held in the first hour of lectures in week 6. Test 2 (15%) will be held in the first hour of lectures in Week 11. Each test will be of 1 hour duration. Details of the structure and topics covered will be announced closer to the date. It is important to note that absence from class tests will result in a mark of zero, unless a student's absence is supported by acceptable documented evidence. In this case, the final exam mark will be converted to a higher percentage of the total marks.

Project Work (20%)

In Week 3 (lecture times) you will be assigned into groups (no more than 4 students). It is critical that you attend this class so that you can meet and organise suitable meeting times with your selected group. The group project will be divided into two sections: (i) a strategy statement and (ii) a group report. The strategy statement will be no more than one page. Accompanying this strategy statement will be a group report supporting the logic advanced in the strategy statement. The group report must include a description of the firm its commercial and economic environment (i.e. market structure, internal and external constraints, nature of pricing, strategic behaviour, etc.). A SWOT analysis may be useful in this context. The group report must apply relevant economic theory to support the logic your group has advanced on how the firm operates in the context of its own relevant market structure. Ideally, as part of the description you should include the potential issues that the firm faces and importantly, how the firm could better advance their competitive position through strategic behaviour.

Final Examination (50%)

The Final Examination will be of 2 hour duration. This examination will be held during the official Macquarie University examination period. All material for the entire semester is examinable. Details of the structure will be announced in due course. **IMPORTANT NOTICE ON FINAL EXAM.** Students **MUST** pass the FINAL EXAMINATION in order to satisfactorily complete an economics unit. Failure to fulfil this condition will involve automatic failure in the unit. Note: It is also Macquarie University policy **NOT** to set early examinations for individual or groups of students. All students are expected to ensure that they are available until the end of the teaching semester; that is the final day of the official examination period. Therefore, please **DO NOT REQUEST** an earlier exam as your request will not be accommodated.

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://www.mq.edu.au/policy/docs/academic_honesty/policy.html

Assessment Policy <http://www.mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy <http://www.mq.edu.au/policy/docs/grading/policy.html>

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

Grievance Management Policy http://mq.edu.au/policy/docs/grievance_management/policy.html

Special Consideration Policy http://www.mq.edu.au/policy/docs/special_consideration/policy.html

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

Student Support

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at: <http://students.mq.edu.au/support/>

UniWISE provides:

- Online learning resources and academic skills workshops http://www.students.mq.edu.au/support/learning_skills/
- Personal assistance with your learning & study related questions.
- The Learning Help Desk is located in the Library foyer (level 2).
- Online and on-campus orientation events run by Mentors@Macquarie.

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

Details of these services can be accessed at <http://www.student.mq.edu.au/ses/>.

IT Help

If you wish to receive IT help, we would be glad to assist you at <http://informatics.mq.edu.au/help/>.

When using the university's IT, you must adhere to the [Acceptable Use Policy](#). The policy applies to all who connect to the MQ network including students and it outlines what can be done.

Graduate Capabilities

Capable of Professional and Personal Judgement and Initiative

We want our graduates to have emotional intelligence and sound interpersonal skills and to demonstrate discernment and common sense in their professional and personal judgement.

They will exercise initiative as needed. They will be capable of risk assessment, and be able to handle ambiguity and complexity, enabling them to be adaptable in diverse and changing environments.

This graduate capability is supported by:

Learning outcome

- Use theoretic tools to analyse firms' strategies concerning output and pricing decisions;

Assessment task

- Group Report

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

- understand the relationship between the conduct of firms, social welfare, and market outcomes;
- Understand the role of the firm in the economic system and analyse what factors determine the boundaries of a firm;
- Use theoretic tools to analyse firms' strategies concerning output and pricing decisions;
- Making use of appropriate economic models, analyse firm behaviour in dynamic scenarios;
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Assessment tasks

- Group Report
- Test 1
- Test 2
- 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 outcomes

- understand the relationship between the conduct of firms, social welfare, and market outcomes;
- Understand the role of the firm in the economic system and analyse what factors determine the boundaries of a firm;
- Use theoretic tools to analyse firms' strategies concerning output and pricing decisions;
- Making use of appropriate economic models, analyse firm behaviour in dynamic scenarios;
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Assessment tasks

- Group Report
- Test 1
- Test 2
- Final Examination

Problem Solving and Research Capability

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

Learning outcomes

- Understand the role of the firm in the economic system and analyse what factors determine the boundaries of a firm;
- Use theoretic tools to analyse firms' strategies concerning output and pricing decisions;

- Making use of appropriate economic models, analyse firm behaviour in dynamic scenarios;
- Understand the interaction of regulation, competition policy, price discrimination, collusion, product differentiation, strategic behaviour and entry deterrence on pricing and output decisions.

Assessment tasks

- Group Report
- Test 2
- Final Examination

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

Changes since First Published

Date	Description
25/02/2013	Reduced the number of Graduate Capabilities from 5 to 4.