COURSE OUTLINE

ECON3057/ECON3157/ECON8038 Industrial Organization

Research School of Economics

College of Business and Economics

Course Description
This course studies industries where firms have significant market power, i.e. oligopolies and monopolies. Examples of such industries include airline, automobile, banking, IT, pharmaceutical, telecommunication, etc. Due to the fundamental differences among the products and services, these industries differ in many dimensions, such as the number and the sizes of the firms, the barriers for entry of new firms and exit of incumbents, the firms’ cost structures, the R&D processes, the demands, the ways in which firms compete or cooperate with each other, and the government’s regulations. To study these industries, we will use a combination of real world cases and economic analytical tools, such as Game Theory and Informational Economics. Our main focus will be on the strategies of the firm(s) to compete or cooperate with existing and potential competitors.

Learning Outcomes
Upon successful completion of this course, students will be able to identify defining characteristics of an industry, and subsequently choose appropriate economics tools to analyse, explain, and forecast the organization of the industry, especially firms’ business strategies.

Prerequisite
Students should have taken Econ2101 / Econ2111 Microeconomics 2 or Econ2014 / Econ6014 Managerial Economics.

Lecturer / Tutor
Dr Yijuan Chen
Room 2014, HW Arndt Building
Email: Yijuan.Chen@anu.edu.au

Course Administrator
Ms Karissa Carkeet
School of Economics Office, HW Arndt Building
Email: enquiries.rse@anu.edu.au
Course Textbook


The first two chapters and Appendix A (Game Theory) of the textbook provide a brief review of some materials that are likely to have been covered in the prerequisite courses. Students can read them as a warm-up exercise before taking this course.

Students are expected to have been familiar with the math level in the textbook, i.e. basic multivariable calculus and probability theory, and standard optimization methods.

Wattle

http://wattle.anu.edu.au/ Announcements about lectures, exams and other course administration matters.

Lectures

Monday, 10:00-12:00, CBE Bld LT 4

Although all lectures will be audio recorded, this course is NOT friendly for distant-learning. The delivery of most lectures will rely on whiteboard illustration and incorporate students’ participation in discussions. The lecture recordings will work the best when used as a tool for revisions. For students that have to miss the lectures or tutorials on a regular basis, the instructor suggests them not take this course.

Tutorials

TBA

Tutorials start from Week 3.

Tutorial Exercise

Weekly tutorial questions will be posted on Wattle. Preparing written answers and participating in tutorial is the most effective way of learning the course material. You should do the recommended reading and answers to the questions *before* attending tutorial. You may be asked to explain your answers during the tutorial. You will have the opportunity to ask the lecturer to explain material that you do not understand.

Consultation Hours

The lecturer will be available for consultation in Arndt 2014 1:30pm-2:30pm on Mondays.
Assessment

I. For students enrolled in Econ3057, the assessment will be:

1. Mid-semester Exam (30%)
   A mid-semester exam will be held in Week 7. The examinable material will be all that is covered in lectures up to and inclusive of Week 5.

2. Final Exam (70%)
   The final exam will be held in the exam period. Details will be posted on the ANU exam timetable site. Examinable material will be everything covered in lectures, including material already covered in the mid-term exam.

II. For students enrolled in Econ 3157 and Econ 8038, the assessment will be:

1. Mid-semester Exam (25%)
2. Final Exam (50%)
3. Research Paper Presentation (25%)
   You have the option to form a study group with fellow students enrolled in Econ3157 or Econ 8038. The study group should consist of 2-4 students, and each student can join at most one study group.

   Each group will select and present a research paper from a list assigned by the instructor. The presentation will be 60 minutes and will be scheduled close to the end of the semester. Detailed instructions will be discussed in lectures and posted on Wattle.

Study Pattern: The following study pattern is advisable:
1. Preview the textbook chapters prior to lectures
2. Attend lectures and take detailed lecture notes
3. Revise and polish the lecture notes after lectures, and review the textbook chapters
4. Work on the tutorial questions
5. Summarize knowledge points which you do not fully understand, and bring them to the tutorials and the consultation hours.
PRELIMINARY COURSE LECTURE OUTLINE

Below is an approximate guide to the week in which material will be presented.

I. Introduction:

Week 1: Introduction (Chapter 1 & 2)

II. How do firms in an industry compete?

Week 1-2: Industries with search goods and exogenous market power: Static competition (Ch. 3)

Week 3-4: Industries with search goods and exogenous market power: Dynamic competition (Ch. 4)

Week 5: Industries with search goods and endogenous market power: Horizontal product differentiation (Ch.5)

Week 6: Industries with search goods and endogenous market power: Vertical product differentiation (Ch.5)

Week 7-8: Advanced pricing strategies (Ch. 8-11)

Week 9-10: Industries with experience goods (Ch. 12)

III. How do firms in an industry cooperate (tacitly collude, or merge)?

Week 11: Tacit collusion (Ch. 14)

Week 12: Horizontal mergers (Ch.15)

Week 13: Vertical mergers (Ch.16)
Special Exams, Special Consideration, Supplementary Exams, Academic Honesty, etc.

The university has rules dealing with situations where you are unable to attend or complete assessments to the best of your abilities due to accident, illness etc. **It is your responsibility to familiarise yourself with the rules** with regard to special examinations, special consideration and supplementary exams under General Policies.

Clarification can be obtained from the College Student Administration Office on Level 2 of the CBE Building.


Requests for Special Consideration should be made to the School of Economics.

The university has strict rules in relation to academic honesty. The underlying principle is that all work submitted for assessment (essays, exams etc) should be your own original work. You should consult the site for ANU’s policies and advice on how you can avoid cheating and plagiarism.