

## Economics 471(L01) (Industrial Organization)

Instructor: Andrew H. Wilkins  
Email: ahwilkin@ucalgary.ca

Lecture Location: ST 130  
Lecture Days/Time: TR 17:00-18:15

Office: SS 338  
Office Hours: Following each lecture  
and by appointment

(Fall 2018)

---

### Course Description:

The objective of this course is to provide an introduction to the theory of industrial organization. Industrial organization is concerned with the functioning of imperfectly competitive markets and the behaviour of firms in these markets.

### Course Objectives/Learning Outcomes:

Why are firms organized the way they are? How are firm behaviour and market structure related? How can firms create monopoly rents or profits (and maintain them)? What are the social implications of firms behaving strategically? These are the types of questions that students should be able to answer at the end of the course. This course establishes an analytical foundation for students continuing on to Economics 477 (Regulatory Economics) and Economics 571 (Competition Policy).

### Course Outline:

The following topics will be explored in this course:

1. Foundations
  - a. Introduction and Competitive Markets
  - b. Welfare Economics of Market Power
2. Monopoly
  - a. Market Power and Dominant Firms
  - b. Non-Linear Pricing and Price Discrimination
3. Oligopoly
  - a. Game Theory
  - b. Oligopoly
  - c. Collusion and Cartels
4. Strategic Behaviour
  - a. Entry Deterrence
  - b. Predation
5. Transaction Costs, Vertical Control and Profit-Maximization (Time Permitting)
  - a. Economics of Coordinating Economic Activities
  - b. Firm Incentives and Profit Maximization

**Prerequisite:**  
ECON 357

**Required Textbooks:**

Church, J., and R. Ware. 2000. *Industrial Organization: A Strategic Approach*. San Francisco: McGraw-Hill. Available online at [https://works.bepress.com/jeffrey\\_church/23/](https://works.bepress.com/jeffrey_church/23/).

Church, J. 2004. *The Impact of Vertical and Conglomerate Mergers on Competition* Brussels: European Commission. Available online at <http://bookshop.europa.eu/en/the-impact-of-vertical-andconglomerate-mergers-on-competition-pbKD7105158/>

**Recommended Textbook:**

Eichenwald, K. 2000. *The Informant*. New York: Broadway Books. (Recommended)

Required and recommended readings will be drawn from the textbook, from material on reserve, and from the periodical collection in the library.

**Books on Reserve:**

Belleflame, P., and M. Peitz. 2010. *Industrial Organization: Markets and Strategies*. Cambridge University Press.

Biggar, D. and M. Hesamzadeh. 2014. *The Economics of Electricity Markets*. Wiley-IEEE Press.

Blair, R., and D. Sokol, eds. 2015. *The Oxford Handbook of International Antitrust Economics*. Oxford: Oxford University Press, Volumes 1 and II.

Blair, R., and D. Sokol, eds. 2017. *The Cambridge Handbook of Antitrust, Intellectual Property, and High Tech*. Cambridge: Cambridge University Press.

Carleton, D., and J. Perloff. 2005. *Modern Industrial Organization*. 4th ed. Boston: Addison Wesley.

Enrich, D. 2017. *The Spider Network: The Wild Story of a Math Genius, a Gang of Backstabbing Bankers, and One of the Greatest Scams in Financial History*. Custom House.

Evans, D. and R. Schmalensee. 2016. *Matchmakers: The New Economics of Multisided Platforms*. Harvard Business Review Press.

Ezrachi, A., and M. Stucke. 2016. *Virtual Competition: The Promise and Perils of the Algorithm-Driven Economy*. Harvard University Press.

Gibbons, R. and J. Roberts. 2013. *The Handbook of Organizational Economics*. Princeton: Princeton University Press.

Katz, M. and H. Rosen. 1998. *Microeconomics*. 3 ed. San Francisco: McGraw-Hill.

Hovenkamp, H. 2015. *Federal Antitrust Policy*. 5th Edition. St. Paul, Min.: West.

Landsburg, S. 1993. *The Armchair Economist*. Toronto: Maxwell MacMillan.

Kwoka, J. E., Jr., and L. J. White, ed. 2014. *The Antitrust Revolution*. 6th ed. Oxford: Oxford: University Press. Menard, C. and E. Bertrand. 2016. *The Elgar Companion to Ronald H. Coase*. Edward Elgar.

Niels, G, H.Jenkins, and J. Kavanagh. 2016. *Economics for Competition Lawyers*. 2nd Edition. Oxford: Oxford University Press.

Waldman, D., and E. Jensen. 2013. *Industrial Organization: Theory and Practice*. 4th ed. Pearson.

**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 and Final Examination Details:**

MIDTERM EXAM	20%
FINAL EXAMINATION	50%
ASSIGNMENTS	<u>30%</u>
	100%

A final numerical grade will be calculated using the weights above. The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

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 the instructor's office hours.

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam [www.ucalgary.ca/registrar/exams/deferred\\_final](http://www.ucalgary.ca/registrar/exams/deferred_final). Under no circumstance will this be accommodated by the Department.

Tests and exams will/will not involve multiple choice questions. Non-programmable calculators WILL NOT be allowed during the writing of tests or final examinations.

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

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams 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.

**Reappraisal of Grades and Intellectual Honesty:**

*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>

*Statement of Intellectual Dishonesty, see Calendar K.4*

<http://www.ucalgary.ca/pubs/calendar/current/k-4.html>

*Plagiarism and Other Academic Misconduct, see Calendar K.5*

<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>

**Academic Accommodations:**

The student accommodation policy can be found at: [ucalgary.ca/access/accommodations/policy](http://ucalgary.ca/access/accommodations/policy).

Students needing an accommodation because of a disability or medical condition should communicate this need to Student Accessibility Services in accordance with the Procedure for Accommodations for Students with Disabilities [ucalgary.ca/policies/files/policies/student-accommodation-policy](http://ucalgary.ca/policies/files/policies/student-accommodation-policy).

Students needing an Accommodation based on a Protected Ground other than disability should communicate this need, preferably in writing, to the course instructor.

**Important Dates:**

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

**Student Organizations:**

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

Office: SS 803, E-mail: [econrep@fasaucalgary.ca](mailto:econrep@fasaucalgary.ca) and Web: [www.fasaucalgary.ca](http://www.fasaucalgary.ca).

**Society of Undergraduates in Economics:**

<https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at [societyofundergradsineconomics@gmail.com](mailto:societyofundergradsineconomics@gmail.com).

**Faculty of Arts Program Advising and Student Information Resources:**

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580 or email them at [artsads@ucalgary.ca](mailto:artsads@ucalgary.ca). You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate> which has detailed information on common academic concerns, including program planning and advice.
- 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 Library Block.
- Online writing resources are available at <http://www.ucalgary.ca/ssc/resources/writing-support>.

**Evacuation Assembly Point:**

In case of an emergency evacuation during class, students must gather at the designated assembly point nearest to the classroom. The assembly point for this classroom is Professional Faculties - Food Court.

**Safewalk:**

The Safewalk program provides volunteers to walk students safely to their destination anywhere on campus. This service is free and available 24 hrs/day, 365 days a year. **Call 403-220-5333.**

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

Personal information is collected in accordance with FOIP. For more information, see <http://www.ucalgary.ca/legalservices/foip/foip-hia>.

**Internet and Electronic Communication Device information:**

The use of cell phones for any purpose in class is prohibited. Computers and tablets may be used for note-taking only.