Economics 667(L01) (Industrial Organization)

Instructor: J. Church
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Lecture Location: SS 423
Lecture Days/Time: TR 9:30-10:45

Office: Ss 442
Office Hours: W 14:00-16:00 (Winter 2020)

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
         2. 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. Vertical mergers
   d. Tying
   e. Exclusive dealing
   f. Collusion
   g. Predation

A detailed list of topics and readings will be provided.

Required Textbook(s):

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:

**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](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:**

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<tr>
<td>MIDTERM EXAM</td>
<td>25%</td>
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<tr>
<td>FINAL EXAMINATION</td>
<td>50%</td>
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<td>Problem Sets</td>
<td>25%</td>
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**Grade Determination and Final Examination Details**
Department of Economics Criteria for Letter Grades. Economics professors use the following criteria when assigning letter grades:

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<th>Grade Point Value</th>
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<tr>
<td>4.00</td>
<td>Outstanding</td>
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<tr>
<td>4.00</td>
<td>Excellent-superior performance, showing-comprehensive understanding of subject matter</td>
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<tr>
<td>3.70</td>
<td>Very good performance</td>
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<tr>
<td>3.30</td>
<td>Good performance</td>
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<tr>
<td>3.00</td>
<td>Satisfactory performance</td>
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<tr>
<td>2.70</td>
<td>Minimum pass for students in the Faculty of Graduate Studies</td>
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<tr>
<td>2.30</td>
<td>All grades below “B-“ are indicative of failure at the graduate level and cannot be counted toward Faculty of Graduate Studies course requirements. Individual programs may require a higher passing grade.</td>
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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 his office hours.

Students must receive a passing grade on the final exam to pass the course. The final examination will be comprehensive and scheduled by the Department.

Tests and exams will not involve multiple choice questions. Calculators and communication devices are not allowed in exam rooms.

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 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:**

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 http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf.

**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 http://www.ucalgary.ca/legalservices/files/legalservices/faq-students.pdf and http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty_0.pdf.
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 unless otherwise authorized by the instructor.

Copyright Legislation:
See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at
Students who use material protected by copyright in violation of this policy may be disciplined under the
Non-Academic Misconduct Policy.

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 Library Block.

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.

JRC
2018-12-19