



MACQUARIE UNIVERSITY

Division of Economic and Financial Studies

UNIT OUTLINE

**BBA204 INDUSTRY POLICY AND BUSINESS
MANAGEMENT 2008**

CIRCULAR 1

**GENERAL INFORMATION AND LECTURE
OUTLINE**

MACQUARIE UNIVERSITY

DIVISION OF ECONOMIC AND FINANCIAL STUDIES

BBA204 INDUSTRY POLICY AND BUSINESS MANAGEMENT 2008

Aims of the Course

Welcome to Industry Policy and Business Management. The aim of this course is to provide students with an understanding of the microeconomic policy environment within which firms operate and to provide them with some of the analytical tools of economics which can be expected to assist in business decision making. Specifically, the course aims:

- to further a student's understanding of microeconomics, a subject concerned with the analysis of individual decision making units in the economy, which includes the behaviour of firms and industries, and
- to provide students with the opportunity to apply economic principles to the analysis of important decisions confronting the management of business organisations.

Lectures and Tutorials

There are two lectures per week throughout the first semester. You are strongly encouraged to attend the lectures so that the analytical content of the subject can be outlined and a basis provided for your reading and tutorial preparation. It is important for you to recognise however, that lectures should be considered as a supplement to, rather than a substitute for, your study of the reference material.

There will be eight tutorial meetings held during the semester. These tutorial sessions are designed to review and to extend the work covered in lectures. Tutorials commence in the fourth week of the semester i.e. the week beginning Monday, 17 March 2008. There will be no tutorial meetings during weeks 1 to 3 of the semester.

The lecturer responsible for the teaching of this course is:

Mr Allan McHarg (room E4A-417; telephone 9850 8492).

Enquiries and Problems

(a) *Academic*

Problems relating to difficulties you might be having in understanding material in lectures, readings or tutorials should be directed to Mr Allan McHarg. Remember, if you are having academic difficulties or worries of any kind you should not feel embarrassed about seeking help.

(b) *Personal*

If your studies are being affected by personal problems, or if you are having difficulty in adjusting to University life, contact the Student Counselling Service which provides assistance with a very wide range of problems.

(c) *Special Consideration*

If you are unfortunate enough to suffer accident, illness, or any other major disturbance which affects your work, you may apply to have account taken of this in the assessment of your performance. To do this, you should **write to the Registrar immediately the problem arises**, stating:

- (a) the units you are enrolled in;
- (b) details of any work affected or missed;
- (c) the nature of the problem, including evidence (e.g. medical certificate/s where applicable).

ASSESSMENT

Assessment in the course will be as follows:

	%
Compulsory Assignment	20
Final Examination	<u>80</u>
	<u>100</u>

Lecture Outline

The following topics will be discussed during the semester. Note that the lecture time specified for each topic is only an approximation: some topics may be discussed in greater depth while the time spent in examining other topics may be reduced.

Lecture No.

1 – 2	The Economists View of Behaviour and the Contribution of Economics to Business Studies
3 – 4	The Nature of the Firm
5 – 9	Strategy and Pricing in Oligopolistic Markets
10 – 11	Markets Dealing with Uncertainty: the Market for Insurance
12 – 13	Economics of Information
14 – 15	The Meaning of Efficiency
16 – 18	Market Failure
19 – 20	Aims of Policy, Microeconomic Reform
21 – 22	Competition Policy
23 – 24	Privatisation and Regulatory Reform
25 – 26	Comparative Advantage, International Competitiveness and Trade Policy

Textbook

This course straddles two broad areas of subject material namely the behaviour of firms in the marketplace and the policy environment within which firms operate. Unfortunately there is no one textbook which deals with these issues in an Australian context. For this reason no text has been prescribed. You should however, acquire three booklets of **BBA204 Course Readings**. These will be available from the bookshop.

A reference list for each topic is provided later in this document. Further direction as to those references which should be given priority in your reading will be provided in class.

Useful References for Lectures 1 – 18 (A more specific reading guide for lectures follows this list).

R.C. Amacher and H.H. Ulbrich, *Principles of Economics*, South-Western Publishing Co. 5th ed. 1992, Cincinnati, Ohio.

M.R. Baye, *Managerial Economics and Business Strategy*, Irwin, 2nd ed. 1997, Chicago.

J.A. Brickley, C.W. Smith and J.L. Zimmerman, *Managerial Economics and Organisational Architecture*, Irwin, Chicago, 1997.

E.K. Browning and M.A. Zupan, *Microeconomic Theory and Applications*, Harper-Collins College Publishers, 5th ed. 1996, New York.

D.W. Carlton and J.M. Perloff, *Modern Industrial Organisation*, Harper Collins College Publishers, New York, 2nd ed. 1994.

R.H. Coase, *The Firm the Market and the Law*, University of Chicago Press, Chicago, 1988.

H. Demsetz, *The Economics of the Business Firm – Seven Critical Commentaries*, Cambridge University Press, Cambridge, 1995.

A.T. Denzau, *Microeconomic Analysis – Markets and Dynamics*, Irwin, Boston, 1992.

E.J. Douglas, *Managerial Economics – Analysis and Strategy*, Prentice-Hall, New Jersey, 4th ed. 1992.

D.F. Greer, *Industrial Organisation and Public Policy*, Macmillan Publishing Company, New York, 3rd ed. 1992.

A. Griffiths and S. Wall, *Intermediate Microeconomics: Theory and Applications*, Longman, New York, 1996.

E.L. Grinols, *Microeconomics*, Houghton-Mifflin Company, Boston, 1994.

D.A. Hay and D.J. Morris, *Industrial Economics and Organisation – Theory and Evidence*, Oxford University Press, New York, 1991.

- D.N. Hyman, *Modern Microeconomics – Analysis and Applications*, Irwin Boston, 3rd ed. 1993.
- M.L. Katz and H.S. Rosen, *Microeconomics*, Irwin, Boston 2nd ed. 1994.
- W.A. McEachern, *Microeconomics – A Contemporary Introduction*, 4th ed., South-Western Publishing Company, Ohio, 1997.
- G.S. Maddala and E. Miller, *Microeconomics: Theory and Applications*, McGraw Hill Book Company, New York, 1989.
- S.C. Maurice and C.W. Smithson, *Managerial Economics – Applied Microeconomics for Decision Making*, Irwin, Illinois, 3rd ed. 1988.
- S.C. Maurice and C.R. Thomas, *Managerial Economics*, Irwin/McGraw-Hill, New York, 6th ed. 1999.
- M. Moschandreas, *Business Economics* Routledge, London, 1994.
- P. Milgrom and J. Roberts, *Economics, Organisation and Management*, Prentice Hall International Inc. 1992.
- R.L. Miller and R.P.H. Fische, *Microeconomics – Price Theory in Practice*, Harper Collins College Publishers, New York, 1995.
- W. Nicholson, *Microeconomic Theory*, The Dryden Press, New York, 3rd ed. 1985.
- W. Nicholson, *Intermediate Microeconomics and its Applications*, The Dryden Press, Florida, 7th ed. 1997.
- J. Tirole, *The Theory of Industrial Organisation*, MIT Press, Massachusetts, 1992.
- L.J. Truett and D.B. Truett, *Managerial Economics: Analysis, Problems, Cases* South Western College Publishing, 6th ed. Cincinnati, Ohio, 1998.
- D.E. Waldman and E.J. Jenson, *Industrial Organisation: Theory and Practice*, Addison Wesley, New York, 1998.
- B.P. Pashingian, *Price, Theory and Applications*, McGraw Hill, New York, 1995.
- R.S. Pindyck and D.L. Rubinfeld, *Microeconomics*, Macmillan Publishing Company, New York, 1989.
- M. Ricketts, *The Economics of Business Enterprise*, Harvester Wheatsheaf, London, 2nd ed. 1994.
- A.R. Schotter, *Microeconomics – A Modern Approach*, Harper-Collins College Publishers, 1994, New York.

Reading Guide for Lectures

Lectures 1 – 2

McEachern, chapters 1 and 2

Waldman and Jensen, chapter 2

Brickley, Smith and Zimmerman, chapter 2

Amacher and Ulbrich, chapter 1

Lectures 3 – 4

Hay and Morris, chapter 7

Moschandreas, chapter 3

Miller and Fishe, chapter 7

Carlton and Perloff, chapter 2

Ricketts, chapter 2

Greer, chapter 3

McEachern, chapter 15

Brickley, Smith and Zimmerman, chapter 2

Demsetz, chapter 1

Coase, chapters 1 and 2

Baye, chapter 6

Nicholson, 7th ed., appendix to chapter 7

Lectures 5 – 9

Moschandreas, chapters 8 and 9

Hyman, chapters 12 and 13

Truett and Truett, chapters 10 and 11

Pindyck and Rubinfeld, chapters 11 - 13

Nicholson, chapters 10 – 12

Miller and Fishe, chapters 11 – 13

Greer, chapters 12-15

Lectures 10 – 11

Schotter, chapter 14

Grinols, chapter 15

Pindyck and Rubinfeld, chapter 5

Denzau, chapter 13

Maddala and Miller, chapter 21

Lectures 12 and 13

Hyman, chapter 13

Pindyck and Rubinfeld, chapter 17

Browning and Zupan, chapter 15

Katz and Rosen, chapter 16

Lectures 14 – 15

Nicholson – 3rd ed., chapter 18

Grinols, chapter 12

Pindyck and Rubinfeld, chapter 16

Pashigian, chapter 18

Lectures 16 – 18

Miller and Fishe, chapter 17

Grinols, chapter 14

Maddala and Miller, chapter 19

Pindyck and Rubinfeld, chapter 18

Pashigian, chapter 19

Lectures 19-20

Dye, T. R., *Understanding Public Policy*, Prentice Hall, New York, 3rd edition 1972, Chapter 2.

Killick, Tony, *Policy Economics: A Textbook of Applied Economics on Developing Countries*, Heinemann, London 1981, Chapters 1 and 2.

Devine, P.J., Jones, R.M., Lee N. and Tyson, W.J., *An Introduction to Industrial Economics*, George Allen & Unwin, 3rd edition, 1979, pp. 313-327.

Round, D.K., "Workable Competition in Australia", *The Australian Quarterly*, Volume 45, No. 4, December, 1973.

Green, G., Industrial Organisation Paradigms, Empirical Evidence and the Economic Case for Competition Policy, *Canadian Journal of Economics*, August, 1987.

M. Swann, W.A, McEachern, *Microeconomics A Contemporary Introduction*, Nelson, Melbourne 2001, Chapters 13 and 14.

Sloman. J. and Norris, K., *Microeconomics*, Addison-Wesley, Sydney, 1999, Chapters 10 and 11.

McTaggart, D., Findlay, D. and Parkin, M., *Microeconomics*, Addison-Wesley, Melbourne, 3rd edn., 1999, Chapter 19.

Taylor, J.B., Moosa, I. And Cowling B., *Economics: Australian Edition*, Jacaranda Wiley, Brisbane, 1999, Chapter 16.

Clark, D. *Microeconomic Reform* – Chapter 8 in Kriesler, P. (ed.) *The Australian Economy – The Essential Guide*, Allen and Unwin, Sydney, 1995.

Forsyth, P., A Perspective on Microeconomic Reform – Chapter 1 in Forsyth, P. (ed.), *Microeconomic Reform in Australia*, Allen and Unwin, Sydney, 1992.

Gregory, R.G., An Overview of Microeconomic Reform, chapter 15 in P. Forsyth (ed), *Microeconomic Reform in Australia*, Allen and Unwin, Sydney, 1992.

Clark, D., Microeconomic Reform, chapter 8 in P. Kriesler (ed), *The Australian Economy - The Essential Guide*, Allen and Unwin, Sydney, 1995.

The Productivity Commission Microeconomic Reform and Adjustment to Change, *The Productivity Commission Annual Report 1997-98* chapter 1.

Maddock, R., *Australian Lessons in Implementing Competition Reform*. (See Book of Readings No. 3).

Freedman, C. and R. Stonecash, A Survey of Manufacturing Industry Policy: From the Tariff Board to the Productivity Commission, *Economic Record*, vol. 73, no. 221, June 1997.

Lectures 21-22

Hilmer, F.G. (Chair), *National Competition Policy*, Report by the Independent Committee of Inquiry, AGPS, August 1993.

EPAC (Economic Planning Advisory Council), *Promoting Competition in Australia*, Council Paper No. 38, AGPS Canberra, April 1989. (Copies in Economics Reference Room).

Industry Commission, *Implementing the National Competition Policy: Access and Price Regulation*, *Information Paper*, Industry Commission, Canberra, November, 1995.

Sheard, P., 'Competition Policy and Microeconomic Reform in Australia', chapter 6 in P. Forsyth (ed), *Microeconomic Reform in Australia*, Allen and Unwin, 1992.

Kolsen, H.M., Industry Policy and Trade Practices Legislation in Australia, *Economic Analysis and Policy*, vol. 24, no. 2, September 1994.

Brunt, M., The Australian Anti-Trust Law After 20 Years, *Review of Industrial Organisation*, vol. 9, no. 5, 1994, pp. 483-526 (copy in Economics Reference Room).

Jones, R. (ed), *Australian Microeconomic Policies*, Prentice Hall, 4th edn. 1994, chapter 5 and references cited at end of the chapter.

James, M. (ed), *Regulating for Competition? Trade Practices Policy in a Changing Economy*, CIS Sydney, 1989.

Hay, Donald, The Assessment: Competition Policy *Oxford Review of Economic Policy*, volume 9, no. 2, 1993 (copy in Economics Reference Room).

White, L.J., Competition Policy in the United States, An Overview, *Oxford Review of Economic Policy*, volume 9, no. 2, 1993 (copy in Economics Reference Room).

Williams, M.E., The Effectiveness of Competition Policy in the United Kingdom, *Oxford Review of Economic Policy*, volume 9, no. 2, 1993 (copy in Economics Reference Room).

Lectures 23-24

Begg, D, S. Fischer and R. Dornbusch, *Economics*, McGraw-Hill, London, 5th edn. 1997, chapters 17 and 18.

Sloman, J., *Economics*, Prentice Hall, London, 3rd edn. 1997, chapter 12.

Domberger, S. and J. Piggott, Privatisation Policies and Public Enterprise: A Survey, *Economic Record* vol. 62, no. 177, June 1986, pp. 145-162.

Pincus, J.J. and G.A. Withers, Economics of Regulation, chapter 1 in F. Gruen (ed), *Survey of Australian Economics*, vol. 3, Allen and Unwin, 1983.

Stigler, G.L., The Theory of Economic Regulation, *Bell Journal of Economics*, 1971.

Peltzman, S., Toward a More General Theory of Regulation, *Journal of Law and Economics*, 1976.

Posner, R.A., Theories of Economic Regulation, *Bell Journal of Economics*, 1974.

Fusfield, D.H., Some Notes on Opposition to Regulation, *Journal of Post-Keynesian Economics*, 1980.

Fels, A., The Political Economy of Regulation, *University of New South Wales Law Journal*, vol. 5, no. 1, 1982.

(This issue of the Journal also contains other useful articles on the regulation of economic activity).

Tomasic, R. (ed), *Business Regulation in Australia*, CCH Australia Ltd. 1984.

Chapter 1 – R. Cranston – Regulation and Deregulation, General Issues.

Chapter 6 – G.C. Rowe – Economic Theories of the Nature of Regulatory Activity.

(NB: This reference also contains specific studies in regulation).

Lectures 25-26

Ingram, J.C., *International Economic Problems*, John Wiley and Sons Inc. New York, 1966, chapter 2.

Culyer, A.J., *Economics*, Basil Blackwell, Oxford 1985, chapter 11.

McCloskey, D.N., 'Specialisation and Comparative Advantage', *The Applied Theory of Price*, Macmillan, 2nd edn., 1985, pp 153-155.

Landsburg, S.E. 'The Iowa Car Crop', *The Armchair Economist*, The Free Press, 1993, pp 197-199.

Krugman, P., *Peddling Prosperity*, W.W. Norton and Company, New York 1994. Appendix to chapter 10.

Chenery, H., Comparative Advantage and Development Policy, *American Economic Review*, vol. 51, no. 1, 1961. Reprinted as Chapter 7 in H. Chenery: *Structural Change and Development Policy*, World Bank/Oxford University Press, 1979.

Macbean, A.I., Identifying Future Comparative Advantage, chapter 7 in P. Oppenheimer (ed), *Issues in International Economics*, Oriel Press, Stocksfield, England, 1980.

Wall, David, Comparative Advantage in Minerals Processing, chapter 2 in B. McKern and P. Koomsup (eds), *Minerals Processing in the Industrialisation of Asean and Australia*, Allen and Unwin, Sydney 1988.

OECD, Science, Technology and Competitiveness, *STI Review* no. 1, Autumn 1986. OECD. Paris 1986.

OECD, Technology, Competitiveness and the Special Problems of Small Countries. *STI Review* no. 2, September 1987. OECD. Paris 1987.

Jones, R., C. Terry and G.R Braddock (eds), *Australian Micro-economic Policies*, 4th edn. Prentice-Hall, 1993, chapters 7 and 8.

Garnaut, Ross, *Australia and the Northeast Asian Ascendancy*, AGPS, Canberra 1989.

Garnaut, Ross, Trade and Industry Policy, *Economic Papers*, vol. 10, no. 2, June 1991.

Stanford, Jon (ed), *Industrial Policy in Australia and Europe*, AGPS, Canberra 1992. Particularly chapters 1 and 3.

Hamilton, Clive (ed), *The Economic Dynamics of Australia Industry*, Allen and Unwin, 1991. Particularly section 4.

Pack, H. and Westphal, L.E., Industrial Strategy and Technological Change: Theory and Reality, *Journal of Development Economics*, 1986, pp. 87-127.