

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ECON309
Industrial Organisation

Semester 1, 2011

Department of Economics

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT GUIDE**

Year and Semester:	Semester 1 2011
Unit convenor:	Andrew Wait
Prerequisites:	ECON200 or ECON203
Credit points:	3

Students in this unit should read this unit guide carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

ABOUT THIS UNIT

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.

TEACHING STAFF

- Convenor: Andrew Wait (Email: andrew.wait@sydney.edu.au, Room: E4A 435; Office hours: Fridays 11-1)

CONSULTATION TIMES

Consultation times: Fridays 11-1

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours.

In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the lobby (phone numbers of relevant staff members will be provided on Blackboard and are available next to the phones).

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

CLASSES

- Lectures: 3-6pm Friday, E7B T3
- The teaching format for this class is one 3-hour lecture per week.
- The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

PRIZES

- Please see: http://www.businessandconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

- *Introduction to Industrial Organization*, Luis Cabral MIT Press, Cambridge, 2000
- This text is available from the Macquarie University Co-op Bookshop.
- This text is available in the Macquarie Library.

Please note other books also cover the material at a similar level and could be useful background or additional reading. These books include:

Shy, O. 1995, *Industrial Organization*, MIT Press, Cambridge (Shy)

Church, J. and R. Ware 2000, *Industrial Organization: A strategic approach*, McGraw-Hill, Boston. (Church and Ware)

Pepall, L., D Richards and G. Norman 2002, *Industrial Organization: Contemporary Theory and Practice*, 2nd Edition, South-Western, Mason. (Pepall et al)

Tirole, J. 1988, *The theory of industrial organization*, MIT Press, Cambridge

TECHNOLOGY USED AND REQUIRED

- There are no special technology requirements in this unit

UNIT WEB PAGE

- Course material is available on the learning management system (BlackBoard)

LEARNING OUTCOMES (THIS AND THE FOLLOWING SECTION MAY BE REPLACED BY A COMBINED SECTION AS SHOW BELOW)

The learning outcomes of this unit are:

1. Understand how markets allocate and generate surplus.
2. Understand the role of the firm in the economic system and analyse what determines the boundaries of a firm
3. Use economic models to critically analyse the relationship between market structure and market outcomes.
4. Use game theoretic tools to analyse firm strategy concerning output and pricing decisions
5. Making use of appropriate economic models, analyse firm behaviour in dynamic scenarios (that is, timing of actions is important)
6. Critically evaluate the role of government in addressing potential market failures and regulating markets

GRADUATE CAPABILITIES (THIS AND THE PREVIOUS SECTION MAY BE REPLACED BY A COMBINED SECTION AS SHOW BELOW)

This unit contributes to this by developing the following graduate capabilities:

- 1 Discipline Specific Knowledge and Skills*
- 2 Critical, Analytical and Integrative Thinking
- 3 Problem Solving and Research Capability
- 4 Creative and Innovative
- 5 Effective Communication
- 7 Socially and Environmentally Active and Responsible
- 9 Commitment to Continuous Learning

TEACHING AND LEARNING STRATEGY

Week	Lecture date	Topic	Reading list
1	25 February	Introduction, Basic microeconomic concepts, Game theoretic tools	*Cabral: Ch 1, 2, 4 Shy: Ch 1, 2, 3 Gibbons, R 1992, <i>A primer in game theory</i> , Harvester Wheatsheaf, Hertfordshire. Church and Ware: Chapters 7 and 8
2	4 March	The firm	*Cabral: Chapter 3 Church and Ware: Ch 3 Hart, O. 1995, <i>Firms, contracts and financial structure</i> , Clarendon Press, Oxford, Chapter 1.
3	11 March	Perfect competition Monopoly	*Cabral: Chapter 6 Shy: Chapter 4 *Cabral: Chapter 5 Shy: Chapter 5 Church and Ware: Chapter 4
4	18 March	Oligopoly Collusion	*Cabral: Chapter 7 Shy: Chapter 6 Church and Ware: Chapter 8 *Cabral: Chapter 8 Shy: pp. 115-120.
5	25 March	Market concentration	*Cabral: Chapter 9 Shy: Chapter 8, pp. 169-173.
6	8 April	Mid-semester exam	
7	29 April	Price discrimination	*Cabral: Chapter 10 Shy: Chapters 13 and 14
8	6 May	Vertical restraints	*Cabral: Chapter 11
9	13 May	Product differentiation	*Cabral: Chapter 12 Shy: Chapter 7 Church and Ware: Chapter 11
10	20 May	Advertising Strategic behaviour, entry and exit	*Cabral: Chapter 13 Shy: Chapter 9 *Cabral: Chapter 14, 15 Shy: Chapter 8, pp. 182-209. Church and Ware: Ch 14 & 15
11	27 May	Research and development	*Cabral: Chapter 16 Shy: Chapter 9

12	3 June	Networks	*Cabral: Chapter 17 Shy: Chapter 10
	6 June-24 June University Exam Period	FINAL EXAM	

Please note that the * readings are required readings.

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

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

	Assessment Task 1	Assessment Task 2	Assessment Task 3
Title/Name	Mid-semester exam	Essay	Final exam
Description (<i>including length or similar if applicable</i>)	Exam, 1 hour	Essay, 2 pages double spaced, 12 pt font (not including appendices, diagrams and referencing).	Exam, 2 hours
Due date	8 April	3pm, 20 May	Final exam period
% Weighting	25%	20%	55%
Grading method - marking criteria/ standards - expectations in relation to presentation - referencing requirements	The exam will include short answer and multiple choice questions. The material covered will focus on the material covered in Weeks 1-4 outlined above	The essay will allow students to undertake original research and apply models and economic techniques learned in class to a real-world economic problem. The format will allow students to	This will be a comprehensive exam covering all of the material studied in the course. The exam will contain long answers that will allow students to demonstrate the analytical skills and research

	Assessment Task 1	Assessment Task 2	Assessment Task 3
		practice written communication of economic ideas. Preferred referencing in Harvard style.	undertaken in the course. The MC questions will test student's knowledge of key concepts and skills learned during the course.
Learning outcomes assessed			
1	X		X
2	X	X	X
3	X	X	X
4		X	X
5			X
6			X
Graduate capabilities assessed			
1	X	X	X
2	X	X	X
3	X	X	X
4	X	X	X
5	X	X	X
7	X	X	X
9	X	X	X

- Late submission of essay: Late submission of essays will be penalised 10 percent of the total possible grade for every day after the essay is submitted after the due date.
- Examinations

A final examination is included as an assessment task for this unit to provide assurance that:

- i) the product belongs to the student and
- ii) the student has attained the knowledge and skills tested in the exam.

A 2 hour final examination for this unit will be held during the University Examination period.

The University Examination period in First Half Year 2011 is from 6 June to 24 June.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be

available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. The University's policy on special consideration process is available at

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

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period. (Individual Faculties may wish to signal when the Faculties' Supplementary Exams are normally scheduled.)

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at:

<http://www.mq.edu.au/policy/docs/examination/policy.htm>

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at

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

GRADES

Please refer to relevant Bachelor Degree rule in the Handbook of Undergraduate Studies.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and

the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals.

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at: http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

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

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.