

MACQUARIE  
UNIVERSITY



FACULTY OF  
BUSINESS AND ECONOMICS

# ECON309 Industrial Organisation

Semester 1, 2012

*Department of Economics*

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

<b>Year and Semester:</b>	<b>Semester 1, 2012</b>
<b>Unit convenor:</b>	<b>Jonathan Lim</b>
<b>Prerequisites:</b>	<b>ECON200 or ECON203</b>
<b>Credit points:</b>	<b>3</b>

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**

**Unit Convenor: Jonathan Lim**  
**Phone: 9385-3565 (UNSW Number)**  
E-mail: [j.k.lim@unsw.edu.au](mailto:j.k.lim@unsw.edu.au) (Preferred mode of contact)

**Joseph Macri,**  
Room: E4A-415  
Phone: 9850 9469  
E-mail: [joseph.macri@mq.edu.au](mailto:joseph.macri@mq.edu.au)

**CONTACTING STAFF**

Joseph Macri will be available for consultation on Wednesday 2-4pm and Thursday 4-6pm for any issues relating to Lectures Week 1-6 (inclusive). Jonathan Lim will be available for consultation on Wednesday 3-5pm, Thursday 3-5 pm for lecture material

covered in Weeks 7-13 (inclusive) and all ECON309 administrative enquiries. Please note that the consultation times may be subject to change throughout the semester.

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 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:

Wednesday 11am-2pm; W5A T1 Theatre

Thursday 6pm-9pm; E5A120 Theatre

- The teaching format for this class is one 3-hour session per week. The 3 hour session will typically consist of a 2 hour formal lecture and 1 hour workshop/tutorial. The workshop/tutorial will be a time where the lecture material will be discussed with a range of questions from both students and staff.
- It is essential that students **attend all sessions**, as the examination/tests will focus on material discussed in the lectures and supplemented with the relevant readings.
- The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

## REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

- Church, J. and R. Ware 2000, *Industrial Organization: A strategic approach*, McGraw-Hill, Boston (This text is available online (free of charge) at: <http://homepages.ucalgary.ca/~jrchurch/page4/page4.html>)

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

- Luis Cabral *Introduction to Industrial Organization*, MIT Press, Cambridge, 2000 (Cabral)
- Shy, O. 1995, *Industrial Organization*, MIT Press, Cambridge (Shy)
- Pepall, L., D Richards and G. Norman 2008, *Industrial Organization: Contemporary Theory and Empirical Applications*, 4<sup>th</sup> Edition, South-Western, Mason. (Pepall et al)

For a more advanced treatment of the material covered in this course you may want to consider the following books:

- Belleflamme, P. and M. Peitz 2010, *Industrial Organization: Industrial Organization: Markets and Strategies*, Cambridge University Press, New York.
- Tirole, J. 1988, *The Theory of Industrial Organization*, MIT Press, Cambridge

#### UNIT WEB PAGE

Course material is available on the learning management system (iLearn). The web page for this unit can be found at: <https://ilearn.mq.edu.au/login/MQ/>

Students should check this site regularly for announcements, test results and lecture material.

#### LEARNING OUTCOMES

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)

#### GRADUATE CAPABILITIES

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
6. Engaged and Ethical Local and Global citizens
7. Socially and Environmentally Active and Responsible
8. Capable of Professional and Personal Judgement and Initiative
9. Commitment to Continuous Learning

## **LEARNING AND TEACHING ACTIVITIES**

- ECON309 will consist of two (2) within session tests (30%), one group work project (20%) and a 2 hour final examination (50%) during the official examination period. All lecture material and readings will be examinable in the final examination.
- It is expected that students read in advance and actively participate in discussion in the lecture.

### **Unit Assessments**

#### (a) Class Tests (30%)

There will be 2 in session exams for this unit. Test 1 (15%) test will be held in the first hour of lectures in week 6. Test 2 (15%) will be held in the first hour of lectures in Week 11. Each test will be of 1 hour duration. Details of the structure and topics covered will be announced closer to the date.

It is important to note that absence from class tests will result in a mark of zero, unless a student's absence is supported by acceptable documented evidence. In this case, the final exam mark will be converted to a higher percentage of the total marks.

#### (b) Project Work (20%)

For the project work you will be randomly assigned into groups in Week 3 (no more than 5 students) to write up a strategy statement for any firm of your choosing. This statement will be no more than one page. Accompanying this statement is a report supporting the logic advanced in the strategy statement. This should include a description of the firm and its environment. A SWOT analysis maybe be useful in this context, accordingly in describing your logic you should utilise relevant economic theory to support the logic you have advanced. Ideally, as part of the description you should include the potential issues that the firm faces and more importantly how the firm could better advance their competitive position.

Your report should draw on information and ideas from other sources besides the lectures in the course and your grade will be determined by the additional value you add upon the existing material. The key is to apply the insights drawn from the models to the organization you have selected. In short if you reproduce the analysis or model as applied in class you will achieve no better than a pass. You don't need to invent a new model (though this will be favourable viewed) but remember that if you

use someone else's model to reference and credit their work. In fact you should explain it in your own words and accordingly cite. Failure to do so constitute a serious form of Plagiarism.

Groups will need to submit their group report by **week 12** in lectures. The word limit for this report will be **no more than 2000 words**. Late submission will attract a penalty of 10% or the total mark each day. Exceeding 2000 words will attract a penalty of 10% for every 10% above word limit. All members will receive the same mark; however this may vary according to the peer assessment report which must be submitted confidentially by each member.

The groups will be allocated in lectures in **Week 3** and published online in **Week 4**. In week 5, further details of the project will be provided in a separate document on the *ilearn* website. This document will specify precisely the companies involved, logistics and submission details.

(c) **Final examination (50%)**

The Final Examination will be for 2 hour duration. This examination will be held during the official Macquarie University examination period. Details of the structure will be announced in due course. .

**IMPORTANT NOTICE ON FINAL EXAM**

Students **MUST** pass the **FINAL EXAMINATION** in order to satisfactorily complete an economics unit. Failure to fulfil this condition will involve **automatic** failure in the unit.

**Note:** It is also Macquarie University policy **NOT** to set early examinations for individual or groups of students. All students are expected to ensure that they are available until the end of the teaching semester; that is the final day of the official examination period. Therefore, please **DO NOT REQUEST** an earlier exam.

**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**

	<b>Assessment Task 1</b>	<b>Assessment Task 2</b>	<b>Assessment Task 3</b>	<b>Assessment Task 3</b>
Title/Name	Mid Semester test	Mid Semester test	Project Work	Final Exam
Description	Exam: 1 hour	Exam: 1 hour	Essay, see Learning and Teaching activities for further details	Exam: 2 hours.
Due date	Week 6	Week 11	Week 12	Official Macquarie University Examination Period
% Weighting	15%	15%	20%	50%
Grading method - marking criteria/ standards - expectations in relation to presentation - referencing requirements	To be discussed in class.	To be discussed in class	To be discussed in class	
Submission method	Paper	Paper	Paper	Paper
Feedback	Students will receive their results within 2 weeks of having	Students will receive their results within 2 weeks of having	On paper, typically two weeks submission.	N/A

	<b>Assessment Task 1</b>	<b>Assessment Task 2</b>	<b>Assessment Task 3</b>	<b>Assessment Task 3</b>
	completed Test 1. Students will be encouraged to make an appointment with Joseph Macri, along with providing feedback in class.	completed Test 2. Students will be encouraged to make an appointment with Jonathan Lim, along with providing feedback in class.		
Estimated student workload (hours)				
Learning outcomes assessed				
1	✓	✓	✓	✓
2	✓	✓	✓	✓
3	✓	✓	✓	✓
4			✓	✓
5			✓	✓
Graduate capabilities assessed ( <i>max 4</i> )				
1	✓	✓	✓	✓
2	✓	✓	✓	✓
3	✓	✓	✓	✓
4			✓	
5	✓	✓	✓	✓
6			✓	
7			✓	
8			✓	
9	✓	✓	✓	✓

- Late submission of essay: Late submission of essays will be penalised 10 per cent 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 of Year 2012 is from June 12<sup>th</sup> to 29<sup>th</sup> June (inclusive).].

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:// exams.mq.edu.au/](http://exams.mq.edu.au/)

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](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>

## Lecture Schedule

Week	Lecture Date	Topic	Reading List
1	29 <sup>th</sup> February	Introduction, Basic Microeconomic concepts and tools, Game Theory	Church and Ware: Chapters 7&8, Cabral: Chapter 2
2	7 <sup>th</sup> March	Theory of the Firm	Church and Ware: Chapter 3, Cabral: Chapters 3 &4.
3	14 <sup>th</sup> March	Perfect Competition/ Monopoly	Church and Ware: Chapter 4, Cabral: Chapter 5, Shy: Chapter 5.
4	21 <sup>st</sup> March	Oligopoly/ Collusion/Regulation.	Church and Ware: Chapter 8, Cabral: Chapter 5, 8, Shy: Chapter 6, pp. 115-120.
5	28 <sup>th</sup> March	Market Concentration	Cabral: Chapter 9, Shy: Chapter 8, pp. 169-173.
6	4 <sup>th</sup> April (Day) 5 <sup>th</sup> April (Evening)	Mid-Semester Examination	
7	25 <sup>th</sup> April	Public Holiday	No classes this week
8	2 <sup>nd</sup> May	Market Power and Welfare	Church and Ware: Chapter 2 and 12
9	9 <sup>th</sup> May	Repeated games, Collusion, Cartels and Horizontal Mergers	Church and Ware: Chapter 10
10	16 <sup>th</sup> May	Vertical Restraints and Vertical Integration	Church and Ware: Chapter 22
11	23 <sup>rd</sup> May	Price Discrimination and Mid-semester 2 (same arrangement as Mid-semester exam 1)	Church and Ware: Chapter 5 and 25
12	30 <sup>th</sup> May	Product Differentiation	Church and Ware: Chapter 6 and 11
13	6 <sup>th</sup> June	Moral Hazard (time permitting)	Own Notes

## 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](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

## GRADES

Macquarie University uses the following grades in coursework units of study:

HD - High Distinction

D - Distinction

CR - Credit

P - Pass

F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

<http://www.mq.edu.au/policy/docs/grading/policy.html>

## 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/new\\_and\\_current\\_students/undergraduate\\_current\\_students/how\\_do\\_i/grade\\_appeals](http://www.businessandconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/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/policy.html](http://www.mq.edu.au/policy/docs/special_consideration/policy.html)

## **STUDENT SUPPORT SERVICES**

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

[Individual Unit Conveners may wish to add Unit/ Faculty specific support e.g. BESS, Room, PAL, E4B Consultation Room.]

## **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 using 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 units 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.