

Course Profile - Department of Economics

Course Number : ECO 350	Course Title : Economics of Industrial Organization
Required / Elective : Elective	Co-requisites : ECO 201
Catalog Description: The nature of competition under various market structures: the distinctive features of price and quantity competition and other aspects of modern oligopolistic firms. The fundamental principles and game theoretic models are applied to the advanced analysis of various forms of firms' interaction e.g. collusion, entry deterrence, predation and merger, R&D, product differentiation, advertising, price discrimination, and vertical integration. Study of anti-trust and regulation to analyze the related industrial policy issues based on industry case studies. Theory of the firm as an extension of ECO 201.	Textbook / Required Material : Jeffrey Church and Roger Ware (2000), <u>Industrial Organization-A Strategic Approach (IOSA)</u> , McGraw-Hill, Walter Adams and James Brock (2001), <u>The Structure of American Industry</u> , Prentice Hall.
Course Structure / Schedule : 3+0+0 / 6 ECTS	
<p>Extended Description :</p> <p>The course develops a systematic theoretical framework for analyzing the structure, behavior, and performance of major industries and builds insight into the industrial policy interactions between government and business. About half of the theoretical material in this course is an extension of the theory of the firm as developed in principles and intermediate microeconomics. Review and extensions of the models of competitive and monopolistic market structures are developed. In addition, theories in the areas of monopolistic competition, oligopoly, strategic behavior and product differentiation are developed. The other half of the course presents factual and institutional material on market structure, firm conduct, industry performance, and antitrust policy. The course will occasionally proceed on an industry case study basis, interweaving theory, history, and policy analysis. The theory and institutional material are presented in tandem so that (1) the theory can be put to test and (2) the evidence can be organized within some framework</p>	
Design content : None	Computer usage: Minimal
<p>Course Outcomes:</p> <p>By the end of this course, students will be able to:</p> <ol style="list-style-type: none"> 1. Have insights into the production, exchange and distribution problems inherent in the industrial sector of an economy [8,12] 2. Discuss the market in terms of horizontal, vertical, and geographic boundaries. Describe substitutes and complements. Discuss upstream and downstream industries, where applicable. (For example, if it is a retail product, there is no downstream industry.) Brief history of the industry, how and when it started, and evolved over time. [6,8] 3. Identify the major firms in the industry, their relative market shares, the degree of concentration in the industry using various indices, etc. (Choose the measure(s) that you believe to be the most descriptive given your industry.) [9,12] 4. Describe the nature/form of competition in the industry. Do firms compete on price or quantity? How is advertising used? Assess the possibility of collusion in the industry. Refer to the characteristics which may help or hinder collusion. Who are potential entrants into the industry and what, if anything, is done to deter entry? [9,10,12] 	

Relevant Program Outcomes

6. Apply statistical methods, calculus and similar methods in data analysis, Comprehend problems on humanities and social sciences and make inferences on solutions
8. Ability to model the equilibrium dynamics in markets, analyze, abstract, synthesize and interpret information
9. The ability to work, take initiative and lead in multidisciplinary teams
10. Ability to communicate effectively by using written, verbal and visual tools
12. Preparing reports which evaluate the economy on sectoral and macro bases; assessing critically the publications related to the economy; being capable of identifying the dynamics of and following the developments in the market, stock exchange markets, exchange rate markets, supply and demand; collecting and analyzing data on different fields of economics and interpreting them using statistical and econometric techniques and required software programs; equipping with good skills of presenting the findings; efficient note taking; asking the necessary questions to achieve, utilize and transfer information.

Recommended reading:

Cabral, R., Introduction to Industrial Organization, (MIT Press), 2000.

Don E. Waldman & Elizabeth J. Jensen, Industrial Organization, Second Edition (Addison Wesley Longman), 2004

R. Caves, American Industry: Structure, Conduct, Performance, Seventh Edition, 1992.

Scherer, F.M. and Ross, D., Industrial Market Structure and Economic Performance, (Houghton Mifflin Co.), 1997.

Shepherd, W.G., The Economics of Industrial Organization, (Prentice Hall), 2005

Teaching methods

Lecture, in class discussions, problem sessions, project presentations

Assessment methods:

Attendance + in class participation: 11 %

Term Project: 30 %

Midterm: 20 %

Assignments: 9 %

Final Examination: 30 %

Student Workload/ECTS (European Credit Transfer System) Tableau:

Activity:	Number:	Duration (hour):
Pre-class reading	14	30
Lectures	14	45
Reading	14	25
Assignments + in class participation	14	45
Exams	2	5
TOTAL	150/25	= 6 ECTS

Prepared by : MEK

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