

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ECONOMICS**

*Industrial Organization and Public Policy
(Economics 4100 FALL 2020-21)*

Course Name *Industrial Organization* (ECON 4100)

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Timetable Mon&Wed 12:30-13:45 pm (and asynchronously) through Brightspace

Classroom D2L Brightspace Online Room

Office hours Online TU&TH 10:30-12:30 or by appointment

1 Calendar Description

Industrial Organization and Public Policy is the study of the basic characteristics of structure, behaviour and performance of industry with particular reference to the Canadian economy. Relation of industrial structure to social purpose is examined, with an emphasis on public regulations of monopoly and the objectives and implementation of anti combines policy.

Prerequisites: ECON 1010 (or the former ECON 2010), ECON 1020 (or the former ECON 2020), and ECON 2550, 3000, 3010

2 Textbooks

- *Industrial Organization: Contemporary Theory and Empirical Applications*, 5th Edition,¹ by Lynne Pepall, Daniel J. Richard, and George Norman, South-Western Thomson Learning 2013

I will sometimes refer to chapters in other IO books (which should be in the library) such as:

- D. Carleton and J. Perloff, *Modern Industrial Organization*, 3rd ed. Addison Wesley Longman 2000
- *Industrial Organization: Theory and Practice*, 2nd ed. Don E. Waldman and Elizabeth J. Jensen, Addison-Wesley 2001

There will also be references to journal articles that can be found in the library or accessed through the electronic services in the library.

¹If you have a fourth edition, you do not need to buy the new edition.

3 Objectives of the course

The objective of this course is to provide an introduction to the theory of industrial organization. This is concerned with imperfectly competitive markets and the behavior of firms in these markets. We will try to answer the following questions:

- Why are markets organized as they are?
- How does the organization affect the way in which firms behave?
- How does the behavior of firms influence the structure or organization of markets?

We will pay attention to the strategic behavior of firms, using the tools of Game theory. What kinds of firm behavior creates monopoly rents or profits and allows firms to maintain them? What are the social implications of these kinds of behavior?

We will start refreshing students' knowledge on firm behavior and costs and the different types of market structures. We will learn something about pricing practices (nonlinear pricing, price-discrimination) in different markets and about strategic behavior (collusion, advertising, entry deterrence, R&D) in oligopolistic markets. We will also cover some issues about regulation and deregulation of industries. We will analyze the effects of these practices on social welfare. The theoretical concepts will be illustrated with numerical exercises, simulations, and real life examples.

4 Assessment

The final mark for the course comes from the coursework and the final exam (See Table 1)

Table 1: Assessment summary

	date	weight	comments
Midterm Test I	WED WEEK 5	25%	20% if worse midterm, 30% otherwise
Midterm Test II	MON WEEK 9	25%	20% if worse midterm, 30% otherwise
Final exam	TBA	50%	

Midterms will not be individually rescheduled. If a given student misses a midterm (or simply chooses not to sit it), that test's weight will be reallocated towards the final exam.

Note: this year, due to the restrictions imposed by the measures to combat COVID19, the specific format of the tests and exams will be announced at a later date. It might involve remote examination tools, including oral online testing.

5 Other policies

- Please e-mail me only from your MUN account
- Make sure you check your e-mail frequently (daily ideally)
- Make sure you check the website frequently (daily ideally). Many announcements pertinent to the course will only be on the website

5.1 Department of Economics Regulations:

- Students need to follow the MUN calendar for drop dates and deadlines
- It is not possible to drop a course once a student even sees a final exam or writes the final
- The Economics Department does NOT have Supplementary Exams.

5.2 Academic Honesty and Plagiarism

Plagiarism involves presenting the ideas or works of another as one's own. This applies to all material (essays, reports, term projects, seminar presentations, statistical data, computer programs, research results, theses, etc...) Properly acknowledging the use of sources is a required part of scholarship and failing to do so is contrary to accepted norms of academic behaviour. Information on acceptable writing practices is available through the Writing Centre at www.mun.ca/writingcentre"

See also Section 6.12.4 of the University Calendar on Academic Misconduct:
<http://www.mun.ca/regoff/calendar/sectionNo=REGS-0748>

5.3 Conduct of Examinations

Memorial University provides formal instructions for examinations (Calendar 6.8). For all examinations, students must be registered in the course; are permitted only to bring pens, pencils and, only if permitted, other items for the examination; are not allowed to use communication devices; and may not speak to each other unless part of the examination process. In this course, a student leaving the examination room will not be permitted to return. Please consult before the test with the instructor if you require accommodation regarding this norm.

A list of instructions is available online here:

<http://www.mun.ca/regoff/calendar/sectionNo=REGS-0628>:

Information on required documentation for excused absences is available in Section 6.7.5 of the General Academic Regulations (Undergraduate) in the University Calendar:

<http://www.mun.ca/regoff/calendar/sectionNo=REGS-0601#REGS-1949>

Note: this year, due to the restrictions imposed by the measures to combat COVID19, the specific format of the tests and exams will be announced at a later date. It might involve remote examination tools, including oral online testing.

5.4 Students requiring special accommodation

Memorial University is committed to facilitating and promoting an accessible, inclusive, and mutually respectful learning environment. Students requiring special accommodation are asked to communicate firstly with the Glenn Roy Blundon Centre (www.mun.ca/blundon) at the earliest opportunity. University policies and procedures pertaining to accommodations for students with disabilities can be found at www.mun.ca/policy/site/policy.php?id=239

5.5 Important Dates to Remember

A list of key dates to remember is available here:

http://www.mun.ca/regoff/2017-2018_University_Diary.pdf

6 Preliminary Topics Schedule

We will roughly follow this provisional topic schedule. Further detailed information and updates will be made available through the ECON4100 website. I include references to the relevant chapters of the book. Students will be expected to prepare for class by having read the relevant chapters ahead of the corresponding lecture. Midterm I will include only material from Chapters 1 to 4.

1. Introduction: the history of Industrial Organization and Industrial Policy (Ch. 1)
2. Review of the concept of efficiency perfect competition versus monopoly (Ch. 2)
3. Market structure and market power (Ch. 3) + Antitrust and Anticombine policy revisited (Ch.1)
4. Technology and Costs (Ch. 4)
5. Monopoly pricing (Ch. 5)
6. Additional topics on monopoly pricing (Ch. 5-6)
7. Product variety, price discrimination and spatial models (Ch. 7)
8. Commodity bundling and tie-in sales (Ch. 8)
9. Game Theory: Static Games and the Cournot Model (Ch. 9)
10. Price Competition (Ch. 10)
11. Dynamic games and First and Second Movers (The Stackelberg Model) (Ch. 11)
12. Limit Pricing and Entry Deterrence (Ch. 12)
13. Dynamic strategic interaction and credible commitment (Ch. 13)
14. Collusion: Price-Fixing and Repeated Games and Collusion in Practice: Stability of Cartels (Ch. 14)
15. Horizontal Mergers; Product differentiation and mergers (Ch. 15)
16. Vertical, Complementary, and Conglomerate Mergers (Ch. 16)*
17. Vertical Relations (Ch. 17-18)*
18. Advertising, Market Power and Information (Ch. 19)*

*These final chapters will be only covered to the extent that time allows