

School of Economics and Finance

## **ECON 328 Industry Structure and Business Strategy**

Trimester 2 2005

### **COURSE OUTLINE**

#### **Contact Details**

##### *Lecturers*

Lewis Evans (course coordinator)  
Room RH 316  
Tel. (04) 463 5560 or (0274) 545 053  
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Richard Martin  
Room RH 331  
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##### *Tutor*

Hanqing Wang  
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Mezzanine Floor Box # 96

#### **Class Times and Room Numbers**

This is a second trimester course. Lectures are on:  
Tuesdays and Fridays: 9.30-10.20 a.m. RLWY 501  
Thursdays: 10.30-11.20 RH LT3  
A Tutorial time is set down for Friday 10.30-11.20am RLWY 501:  
Tutorials or review sessions will be held most weeks and every week from week 7.

#### **Course Objectives and Expectations**

In this course economic theory is combined with empirical and experimental evidence in the study of the organisation of firms, industries and markets. It draws on game theory, transaction cost analysis, information theory and the application of economics to legal issues.

The goal is to teach you how to apply the tools of economic analysis to issues relating to the performance of markets and organizations. It reflects the view that theory must inform empirical investigation.

The more practice you get at applying economic analysis, the better you will do in this course. Read the materials before you come to lectures and prepare answers to questions that will be asked in class. Come to all the lectures and contribute to class discussion -- it will help your economic reasoning and hone your ability to present oral analytical arguments. The textbook contains many questions -- try to answer them yourself. It will ensure that you understand the material presented. Make sure that you complete all the coursework. It is designed to help build your economic thinking and ability to present written economic analysis.

## Course Content

Week 1 *Introduction: the extent and structure of organisations*  
Tutorial: review of demand and costs (Cabral: ch.2)

Week 2 *Games and Strategy*

Week 3 *Entry and Exit and the structure of industry*  
Tutorial: Competition in banking

Week 4 *Unilateral Actions (monopoly power)*  
Tutorial: Interconnection contract

Week 5 *Affiliated Actions: collusion*  
Tutorial: the NZ supermarket and dairy merger cases

Week 6 *An Introduction to Dynamic Markets*  
Tutorial : regulation and dynamic performance

Week 7 Lecture *Repeated Games:*  
Lecture and Tutorial Experiment *Bertrand competition*

Week 8 Lecture *Price Discrimination:*  
Lecture and Tutorial Experiment *Cournot competition*

Week 9 Lecture *Product Differentiation*  
Lecture and Tutorial Experiment *Bargaining*

Week 10 Lecture *Advertising*  
Lecture and Tutorial Experiment *Monopoly*

Week 11 Lecture *Auctions*  
Lecture and Tutorial Experiment *Auctions*

Week 12 Lecture *Merger: the case of rental car companies*  
Lecture and Tutorial Experiment *The effect of form of competition*

## Readings

### *Required Textbook*

Cabral, Luis M.B. *Introduction to Industrial Organisation* (MIT Press)

### *Readings*

Other useful texts include:

Carlton, D. and Perloff, J., *Modern Industrial Organization*, 3rd ed Addison-Wesley 2000.

Shy, O., *Industrial Organization: Theory and Applications*, MIT Press, 1995.

Required readings and cases will be made available on the Blackboard. Other readings will be indicated on the Blackboard.

## Assessment Requirements

The assessment for the course will consist of two assignments and a final examination.

Task	Weighting
2 Brief Assignments	10%
Test (Multiple Choice)	30%
Short Essay	20%
Examination	40%
Total	100%

To gain Terms to sit the final examination, you must complete the assignments, the test and the essay.

## The Essay

You will be required to submit electronically and in hard copy an essay of not more than 2,000 words of original work by 4 October 2005. The topic is to be chosen by yourself and approved by the course coordinator by August 30 2005. The topic is open subject to being directly related to the course content and objectives. Topics will be suggested.

## Penalties

The penalty for late submission of coursework is 5% mark deduction per day. Assignments to be placed in Lewis Evans?? pigeon hole on floor ? by 5pm of the day required.

## Communication of Additional Information

Notices will be notified in class and provided on Blackboard. Other information, eg, lecture cancellations, will in addition be posted on the notice board located in at the desk on RH floor 3.

## General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

## **Student Conduct and Staff Conduct**

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: [www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct).

The policy on Staff Conduct can be found on the VUW website at: [www.vuw.ac.nz/policy/StaffConduct](http://www.vuw.ac.nz/policy/StaffConduct).

## **Academic Grievances**

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

[www.vuw.ac.nz/policy/AcademicGrievances](http://www.vuw.ac.nz/policy/AcademicGrievances).

## **Academic Integrity and Plagiarism**

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

*'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.*

### ***Plagiarism is not worth the risk.***

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct ([www.vuw.ac.nz/policy/studentconduct](http://www.vuw.ac.nz/policy/studentconduct)) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university

- cancellation of your mark for an assessment or a fail grade for the course.

*Find out more about plagiarism and how to avoid it, on the University's website at: [www.vuw.ac.nz/home/studying/plagiarism.html](http://www.vuw.ac.nz/home/studying/plagiarism.html).*

### **Students with Disabilities**

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

### **Student Support**

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at [www.vuw.ac.nz/st\\_services/](http://www.vuw.ac.nz/st_services/) or email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz).

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz).