

## COURSE OUTLINE

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<b>ECON 422</b>	<b>Advanced Industrial Organization</b> <b>School of Economics and Finance</b>	<b>15 points 1/3</b> <b>2006</b>
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**Staff** Richard Martin, RH 331, phone 463-6903 (coordinator)  
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**Lecture times** Friday, 9:30am-11:20am, RWW127

**Prerequisites** Econ 314

### Objectives

The primary objective of the course is to familiarize the participants with various aspects of theoretical industrial organization. A secondary goal is to encourage students to observe and attempt to model the sometimes puzzling behaviour of firms.

### Course content

Week	Topic	Text & supplementary reading
1	Theory of the Firm	Tirole Ch 1, and Coase(1937)
2	Monopoly	Tirole Ch 1, Donaldson and Eaton(1981)
3	Product Differentiation	Tirole Ch 2, and Swan(1970)
4	Price Discrimination	Tirole Ch 3
5	Vertical Control	Tirole Ch 4, Spengler(1950)
6	Short Run Competition	Tirole Ch 5
7	Dynamic Competition	Tirole Ch 6, Porter(1983)
8	Product Differentiation	Tirole Ch 7, Martin and Mongrain
9	Entry and Exit	Tirole Ch 8, Martin 2003
10	Information and Strategic Behavior	Tirole Ch 9
11	Research and Development	Tirole Ch 10
12	Wrap-up and revision	

### Description

“Industrial organization is the study of the operation and performance of imperfectly competitive markets and the behaviour of firms in these markets. It is the field of economics concerned with markets and firms where the applicability and explanatory power of the theory of perfect competition is questionable because there is insufficient competition. Insufficient competition means that firms will have market power, the ability to profitably raise price above competitive levels. A focus and concern with market power underpins industrial organization. What are the determinants of market power? How do firms create, utilize, and protect it? What is the role of non-price competition (advertising, product design, research and development, etc.) in creating an environment where

firms can harvest economic profits? Why is there insufficient competition? What are the implications of market power for resource allocation? The focus on market power means that industrial organization provides the intellectual foundations for competition policy based on preventing firms from creating, enhancing, or maintaining market power that leads to an inefficient allocation of resources.”

### **Assessment**

For assessment purposes, you are required to sit the final examination in the mid-year examination period, and to complete coursework requirement. The coursework consists of a project, in which you identify an example of puzzling firm behaviour, and develop a model that explains this behaviour.

The allocation of grades is:

25% for the midterm; 25% for the project; 50% for the final two-hour examination. If the student's grade on the midterm is lower than that of the final, the weight of the midterm will be reduced to 10%, and the weight of the final increased to 65%. If the student is unable to sit the midterm exam, and has medical documentation, the weight of the midterm will be completely shifted to the final.

### **Penalties**

The project is due on Friday June 2nd, 2006. Late projects will be penalized 10% per day, unless medical documentation is provided.

### **Communication of additional information**

Course notices will generally be relayed in class and put on Blackboard. All information will otherwise be held by the School Administration Assistant, Sue Freear, in RH327.

### **Project**

1. Document some firm behaviour that you and I agree is puzzling.
2. Explain this puzzling behaviour using an economic model of your own design.

### **Guidelines**

1. The project is due on Friday June 2nd, 2006.
2. The maximum length (excluding footnotes, list of references, and a 100 word Abstract) is 2500 words.
3. The essay should be at a minimum typed or word-processed. If you have aspirations of becoming an economist, I would encourage you to consider typesetting your document using LaTeX, which is (or is becoming) the standard tool for preparing manuscripts. (see: <http://www.math.auc.dk/dethlef/Tips/> and [www.winedt.com/](http://www.winedt.com/) for references on LaTeX)
4. The original should be handed in at the class on or before the above date. I also will ask for a .txt or .tex file of your paper, to add to my database. You should retain a copy of your essay.

## 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:

<http://www.vuw.ac.nz/policy/StudentConduct>.

The policy on Staff Conduct can be found on the VUW website at:

<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:

<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 Coordinator, 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 [http://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).