

SCHOOL OF ECONOMICS AND FINANCE

**ECON 328 Industry Structure and Business Strategy**

Trimester Two 2006

**COURSE OUTLINE**

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**Contact Details**

*Lecturers*

Lewis Evans (course coordinator)  
Room RH 316  
Tel. (04) 463 5560 or (0274) 545 053  
Email: [lew.evans@vuw.ac.nz](mailto:lew.evans@vuw.ac.nz)

Richard Martin  
Room RH 331  
Tel: (04) 463 6903  
Email: [richard.martin@vuw.ac.nz](mailto:richard.martin@vuw.ac.nz)

*Tutor*

Teaching Assistant:  
Richard Robinson  
Tel: (04) 9720774 (H), (021) 163 0844 (M)  
Email: [richard.j.robinson@gmail.com](mailto:richard.j.robinson@gmail.com)

Mezzanine Floor, Rutherford House, **Box # 77**

**Class Times and Room Numbers**

This is a second trimester course. Tutorials or review sessions will be held most weeks.

Lecture Times and Location

Monday, Tuesday & Thursday: 9.30-10.20am in GBLT 3

Tutorial Times and Location

Wednesday: 5.40-6.30pm in GBLT 3

**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. It uses experimental economics, in which all students play roles as economic agents, to enhance comprehension and applicability of theory.

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:*

Tutorial: review of demand and opportunity cost  
Experiments: Ultimatum and Dictator games  
Cabral: chs. 1-3  
Carlton & Perloff: Part 1

### Week 2 Introduction to *Monopoly and Price Discrimination*

Tutorial: review of boundaries of the firm  
Experiments: oligopolistic games: substitutes and complements  
Cabral: s. 4.1 and 4.2, Chs. 5 and 6  
Carlton & Perloff: Chs. 4 & 9

### Week 3 *Oligopoly*

Tutorial: question and answer session  
Experiments: competition and capacity constraints  
Cabral: ch.7  
Carlton & Perloff: Ch.6

### Week 4 *Oligopoly*

Assignment 1 due  
Tutorial: question and answer session  
Experiments: auctions  
Cabral: ch.7  
Carlton & Perloff: Ch.6

### Week 5 *Auctions*

Tutorial: review of Assignment 1  
Experiments: the R&D game  
What Really Matters in Auction Design? Paul Klemperer (ref. provided on Blackboard)

### Week 6 *Research and Development*

Tutorial : question and answer session  
Cabral: ch.16

Carlton & Perloff: Ch.16  
Essay topics due for notification

Week 7 *Market Power and Affiliated Actions: collusion*

Tutorial: question and answer sessions  
The NZ supermarket and dairy merger cases  
Cabral: chs. 4.3, 8, 9  
Carlton & Perloff: Ch.11

Week 8 *Two Sided Markets and Strategic Behaviour*

Mid Term Test  
Tutorial: question and answer session  
Merger: *the case of rental car companies*  
Fair Trading Act: *credit card disclosure of fees*  
Julian Wright, 2004, "One Sided Logic in Two Sided Markets", *Review of Network Economics*, 3(1), 44-64.  
Cabral: chs.14 and 15  
Carlton & Perloff: Chs.10 & 11

Week 9 Monopoly and Regulation

Tutorial: question and answer session  
Assignment 2 due  
Cabral: ch.5  
Carlton & Perloff: Chs.4 & 15

Week 10 Vertical Integration

Tutorial: banking market structure  
Cabral: ch.11  
Carlton & Perloff: Ch.12

Week 11 Product Differentiation and Information

Tutorial: review of assignment  
Essay due  
Cabral: ch. 12,  
Carlton & Perloff: Chs.7 & 8

Week 12 Dynamic Efficiency

Tutorial: question and answer session  
The economics of electricity markets  
Evans, Lewis, Jie Zhang and Neil Quigley, "Optimal price regulation in a growth model with monopolistic supplier of intermediate goods", *Canadian Journal of Economics*, 36 (2), 2003, 463-474.  
Carlton & Perloff: Chs.15 & 16

## 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.

## Expected Workload

This is a 24 point course which implies a workload = 240 hours. Hours expected per week = 19 (over 13 weeks), or 20 (over 12 weeks). This is a guide only, individual students should not feel constrained by it.

## Assessment Requirements

The assessment for the course will consist of two assignments, one term test, experiments, a short essay, and a final examination.

Task	Weighting
Experiments	5%
2 Brief Assignments	10%
Test (Multiple Choice)	25%
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 and 15 of the 25 rounds of experiments.

*Trimester Two examination could occur anytime between Thursday, 19th October to Saturday, 11th November inclusive.*

## 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 6 October 2006. The topic is to be chosen by yourself and approved by the course coordinator by August 18 2006. The topic is open subject to being directly related to the course content and objectives. Topics will be suggested.

## Prizes and Penalties

There are rewards totalling \$500 worth of university computing services for performance in experiments. The details of these will be provided at the first lecture.

The penalty for late submission of coursework is 5% mark deduction per day. Assignments to be placed in box #77 of RH, Mezzanine 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 at the Reception on Level 3 of Rutherford House.

### **Faculty of Commerce and Administration Offices**

#### Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

#### Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

### **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar available in hard copy or under 'About Victoria' on the VUW home page at [www.vuw.ac.nz](http://www.vuw.ac.nz).

### **Student 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 are to be taken if there is a complaint. For information about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor or refer to the statute on the VUW policy 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; class representatives may be able to help you in this. If you are not satisfied with the result of that meeting, see the Head of School or the relevant Associate Dean; VUWSA Education Coordinators are available to assist in 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 at [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. The University defines plagiarism as follows:

*The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other student or staff.*

It is still plagiarism even if you re-structure the material or present it in your own style or words.

*Note: It is however, perfectly acceptable to include the work of others as long as that is acknowledged by appropriate referencing.*

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- cancellation of your mark for an assessment or a fail grade for the course
- suspension from the course or the University.

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 Impairments**

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities the same opportunity as 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, 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 (DSS) to discuss your individual needs and the available options and support on a confidential basis. DSS are located on Level 1, Robert Stout Building, telephone (04) 463 6070, email [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person is in the relevant prospectus or can be obtained from the School Office or DSS.

### **Student Support**

Staff at Victoria want students to have positive learning experiences at the University. Each Faculty has a designated staff member who can either help you directly if your academic progress is causing you concern, or quickly put you in contact with someone who can.

Assistance for specific groups is also available from the Kaiwawao Māori, Manaaki Pihipihinga or Victoria International.

In addition, the Student Services Group (email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz)) is 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/).

VUWSA employs 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 (tel. (04) 463 6983 or (04) 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz)) is located on the ground floor, Student Union Building.

**Manaaki Pihipihinga - Māori and Pacific Mentoring Programme (Faculty of Commerce and Administration)**

This is a mentoring service for Māori and Pacific students studying at all levels. Weekly one hour sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade, and Room 210 and 211, Level 2, Railway West Wing. Sessions cover drafting and discussing assignments, essay writing, and any questions that may arise from tutorials and/or lectures. A computer suite networked to Cyber Commons is available for student use.

To register with Manaaki Pihipihinga, please contact one of the following:

Puawai Wereta  
Room 210, Level 2  
Railway West Wing  
Tel. (04) 463 8997  
Email: [Puawai.Wereta@vuw.ac.nz](mailto:Puawai.Wereta@vuw.ac.nz)

Fa'afai Seiuli  
Room 109 B  
14 Kelburn Parade  
Tel. (04) 463 5842  
Email: [Faafoi.Seiuli@vuw.ac.nz](mailto:Faafoi.Seiuli@vuw.ac.nz)

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