

EC3322
INDUSTRIAL ORGANIZATION I
Semester I: 2007-2008

Prerequisite : EC2101
Preclusion : EC2207, EC3227
Modular credits : 4

GENERAL COURSE DESCRIPTION

This course is a basic undergraduate course on Industrial Organization (IO). IO is an Applied Microeconomics field that studies the structure and behavior of firms. Firms interact strategically with each other in the market, and these strategic interactions bring important implications on the market structure and welfare.

We will focus our coverage on the market structure analysis, i.e. perfect competition, monopoly, and oligopolistic competition, and on the strategic behaviors of competing firms, i.e. product differentiation, collusion, price discrimination, various pricing strategies, horizontal mergers, vertical integration and vertical restrains, advertising, and R&D). We will however not going to discuss the welfare and regulatory implications of those strategic behaviors. Such topics are usually discussed in a more advance Industrial Organization module or in any economics of regulation and anti-trust module.

Students should have taken basic Microeconomics course and should be familiar with some basic notions of Game Theory. Although this course is theoretical and quantitative in nature, whenever possible some practical and intuitive examples are presented to aid the understanding.

MAIN TEXTBOOKS

1. Carlton, Dennis W. and Jeffrey M. Perloff (2005), “*Modern Industrial Organization*”, Pearson-Addison Wesley. (CP).

This is our main textbook. I have arranged to put some copies in the Library RBR Section.

2. Peppal, Lynne, Daniel Richards, and George Norman (2005), “*Industrial Organization: Contemporary Theory and Practice*”, Thomson – South Western. (PRN).

This is our 2nd main textbooks. Many parts of the lectures will be drawn from this book. I have also arranged to put some copies in the Library RBR Section.

FURTHER READING

1. Cabral, Luis (2000), “*Introduction to Industrial Organization*”, M.I.T. Press.
2. Church, Jeffrey and Roger Ware (2000), “*Industrial Organization: a Strategic Approach*”, McGraw-Hill.

SUPPLEMENTARY READING

You are encouraged to read business newspapers, e.g. the Wall Street Journal, the Asian Wall Street Journal, Business Times, Strait Times, and magazines, e.g. Business Week, the Economist, Harvard Business Review, etc, to get some real cases that are relevant to the topics discussed in class.

TOPICS & READING LISTS:

Topic 1: Introduction

1. CP: Chapter 1
2. PRN: Chapter 1

Topic 2: Microeconomics Review: Costs

1. CP: Chapter 2
2. PRN: Chapter 4

Topic 3: Microeconomics Review: Perfect Competition

1. CP: Chapter 3.
2. PRN: Chapter 2

Topic 4:

Microeconomics Review: Monopoly

1. CP: Chapter 4.
2. PRN: Chapters 2 and 3

Topic 5:

Oligopoly: Nash Equilibrium, Cournot Competition, Bertrand Competition and Stackelberg Competition

1. CP: Chapter 6
2. PRN: Chapters 9, 10, and 11

Topic 6:

Product Differentiation and Monopolistic Competition: Representative Consumer Model, Horizontal and Vertical Product Differentiation

1. CP : Chapter 7
2. PRN: Chapter 7

Topic 7:

Collusion and Cartels

1. CP: Chapter 5
2. PRN: Chapters 14 and 15

Topic 8:

Price Discrimination

1. CP:P Chapter 9
2. PRN: Chapters 5 and 8

Topic 9:

Other Pricing Strategies: Nonlinear Pricing, Bundling and Tie-In Sales

1. CP: Chapter 10
2. PRN: Chapter 6 and 8

Topic 10:

Anticompetitive Strategic Behavior: Predatory Pricing, Limit Pricing, Raising Rivals' Cost, and Contract as a Barrier to Entry

1. CP: Chapter 11

2. PRN: Chapters 12, 13, and 19

**Topic 11:
Vertical Integration and Vertical Restraints**

1. CP: Chapter 12
2. PRN: Chapters 17 and 18

**Topic 12:
Horizontal Mergers**

1. PRN: Chapter 16

**Topic 13:
Information and Advertising**

1. CP: Chapters 13 and 14
2. PRN: Chapters 20 and 21

**Topic 14:
Research and Development**

1. CP: Chapter 16
2. PRN: Chapters 22 and 23

Disclaimer: Amendments to the syllabus may be made as the course progresses and as they are deemed necessary. Furthermore, if time does not permit, some topics may be dropped.

SCHEDULE

Lecture Time Table

Every **TUESDAY 12:00 – 14:00 at AS1/ 0301**

Week	Date	Notes	Topic(s)
1	14/08/2007		1, 2 and 3
2	21/08/2007		3 and 4
3	28/08/2007		5
4	04/09/2007		5

5	11/09/2007		6
6	18/09/2007		6
	25/09/2007	No Lecture (Recess Week)	
7	02/10/2007		7
8	09/10/2007		8 and 9
9	16/10/2007		9 and 10
10	23/10/2007		11
11	30/10/2007		12
12	06/11/2007		13
13	13/11/2007		13 and 14

Tutorial Time Table

1. DW 1	MONDAY 14:00 – 15:00	AS4/0206
2. DW 2	MONDAY 15:00 – 16:00	AS4/0206
3. DW3	THURSDAY 12:00 – 13:00	AS4/0119
4. DW4	THURSDAY 13:00 – 14:00	AS7/0104

Tutorial will start only from the third week. In total there will be 5 or 6 tutorial meetings. The full time table will be given later.

ASSESSMENT:

Participation	: 10 pts
Tutorial Assignment I	: 10 pts
Tutorial Assignment II	: 10 pts
Mid Term	: 20 pts
Final Exam	: 50 pts

TOTAL	100 pts

Participation

Please be prepared for every class. The participation mark will be a consolidated score for class and tutorial attendance, and interaction in class (i.e. questions and discussion).

Tutorial Assignments

In total, there will be around 5 or 6 tutorial sessions. The complete schedule of tutorials and the division of tutorial groups will be announced later. In most tutorial sessions, we will review and discuss the problem sets given in class in advance and also cover some interesting cases relevant to the topics discussed in class.

Students are required to hand in their solutions to the problem sets at a pre-specified due date. Two out of all their submitted problem-set assignments will be taken into account as part of their CA. Further information will be given in due course.

DISCLAIMERS:

Late Policy

Please note that if you know that you will not be present (for whatever reason) on the day an assignment is due, you still have to complete it and turn it in before the due date. In this case, you can either send me your assignment electronically or hand it in a hard copy before the assignment due date. If you submit the paper electronically, you must still turn in a hard copy in the next class that you are able to attend. In principle, I will not accept late submissions. Exceptions may be granted to the due date on a case-by-case basis and I fully reserve the rights to decide when exceptions should be granted.

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