

**BITS-PILANI, Hyderabad Campus  
INSTRUCTION DIVISION  
FIRST SEMESTER 2016-17**

**Course Handout (Part II)**

**Date: 01/08/2016**

In addition to Part-I (General Handout for all courses appended to the time table) this portion gives further specific details regarding the course.

**Course No. : ECON F314**  
**Course Title : INDUSTRIAL ECONOMICS**  
**Instructor-in-charge : Durgesh Chandra Pathak**

**1. Course Descriptions and Objectives:**

Industrial Economics is a rigorous and comprehensive course in the application of economic theory to the management of the modern business. It entails a wide-ranging economic analysis of the firm, its international structure, markets and competitors as well as external economic environment. The economic approach to business is complemented with a choice of management studies modules covering the latest thinking in a range of subjects such as strategy and marketing.

Industrial Economics is a one-semester course which applies microeconomic and econometric techniques to the study of firms as organizations, market structures, strategic interaction, market efficiency and industrial policy. The course consists of three major parts. The first part constitutes a methodological and theoretical introduction into the tools, methods and approaches used all over the course. It provides a quick review of game theoretic concepts, followed by the discussion of the nature of markets, the firm and the agency relations within business organizations. The second part constitutes the core of the course, and covers imperfect competition in static and dynamic settings, theoretical and empirical studies of collusion, entry and accommodation, product differentiation, monopolistic behaviour, vertical integration and determinants of market structure. The third part is devoted to industrial policy and efficiency analysis, including government regulation and natural monopolies reforms with examples and applications.

**2. Prerequisites:**

Students should have grounding in microeconomics and mathematics, including calculus. A large part of the course will consist of analyses of formal economic models.

**3. Text Book: \_**

**T1.** J. Church and R. Ware, "**Industrial Organization: A Strategic Approach**", First edition, McGraw-Hill, 2000.

A pdf file version of this book is available free of charge on the Internet at the following address

[http://works.bepress.com/cgi/viewcontent.cgi?article=1022&context=jeffrey\\_church](http://works.bepress.com/cgi/viewcontent.cgi?article=1022&context=jeffrey_church). You must respect the Terms and Conditions of Use" that can be found on the first page of the downloadable document. Among other things, these say that [The pdf file version of the book] is available for

personal and non- commercial use. You are permitted by these Terms and Conditions of Use to make one stored electronic copy and one paper copy for your personal, non-commercial use."

**T2.** Stephen Martin, *Industrial Organization in Context*, Oxford University Press, 2010.

**Reference Books:**

**R1.** Waldman, Don E. and Elizabeth J. Jensen (2005): *Industrial Organization: Theory and Practice*, Second Edition, Pearson Education.

**R2.** Belleflamme, Paul and Martin Peitz (2010): *Industrial Organization: Markets and Strategies*, Cambridge University Press.

**R3.** Tirole, Jean (1988): *The Theory of Industrial Organization*, MIT.

**R4.** Carlton, Dennis W and Jefferey M Perloff (2015): *Modern Industrial Organization*, Fourth Edition, Pearson.

**R5.** Pepall, Richards and Norman (2008): *Industrial Organization: Contemporary Theory and Empirical Applications*, Fourth edition, Blackwell Publishing.

**R6.** Roger Clarke: *Industrial Economics*, First Published in 1985 (and transferred to digital print 2003) by Blackwell Oxford, UK and Cambridge, USA.

**4. Course Plan:**

Lecture No.	Learning Objectives	Topics to be Covered	References
1	The Basics Of Industrial Organization	Introduction and theoretical framework of industrial analysis	T1. Chapter 1 R1. Chapter 1
2-4		Perfect competition, monopolistic competition and monopoly The firm and its costs	T1. Chapter 2 R1. Chapter 2
5-6		Alternative theories of firm	T1. Chapter 3 R1. Chapter 3
7-9	Monopoly Power in Theory and Practice	Market power and dominant firms	T1. Chapter 4 R1. Chapter 4
10-13		Price discrimination	T1. Chapter 5 R1. Chapter 14
14-17		Identifying and Measuring Market Power	T1. Chapter 12 R1. Chapter 16
18-25	Game theory and strategic behavior	Game Theory I and Classic Models of Oligopoly	T1. Chapter 7 T1. Chapter 8 R1. Chapter 6 R1. Chapter 7
26-30		Game Theory II and Dynamic Models of Oligopoly	T1. Chapter 9 T1. Chapter 10 R1. Chapter 8
31-35		Entry deterrence	T1. Chapter 13 & Chapter 14 R1. Chapter 10 & Chapter 11
35-38	Non-Price Business Practices	Advertising and Oligopoly	T1. Chapter 17 R1. Chapter 12
39-41		Research and Development	T1. Chapter 18 R1. Chapter 13

42-43	Issues in Regulatory Economics	Rationale for Regulation	T1. Chapter 24 R1. Chapter 19
44-45		Issues in Regulation	T1. Chapter 26 R1. Chapter 20
45	A final word	Concluding remarks	Class Notes

### 5. Evaluation Schedule:

Sl. No.	Evaluation Component	Duration	Weightage (%)	Date, Time & Venue	Remarks
1	Test I	60 Min.	20	9/9, 4.00--5.00 PM	Closed Book
2	Test II	60 Min.	20	24/10, 4.00--5.00 PM	Open Book
3	Project/Presentation		20	To be announced later	
4	Comp. Exam	3 Hours	40	10/12 AN	Closed Book

**6. Chamber Consultation Hours:** To be announced in Class.

**7. Notices:** All notices regarding the course would be put on the CMS/Economics and Finance Notice Board/LTC Notice Board.

**8. Make-up Policy:** Make-up will be given only on Doctor's/Warden's recommendation and with prior (at least 01 day before the test/exam) permission of the Instructor-in-Charge/Instructor. Request for make-up made by phone/sms or during/after the test/exam would NOT be entertained at all.

**Instructor-in-charge**  
**ECON F314**