

Course Outline 2017

ECON 304: FIRMS AND MARKETS (15 POINTS)

Semester 1 (1173)

Course Prescription

An introduction to Industrial Organisation, the analysis of markets with imperfect competition. Industrial Organisation is concerned with the interdependence of market structure, firm behaviour and market outcome. Basic concepts of game theory will be systematically introduced and applied to study strategic firm behaviour in a variety of general and more industry-specific market settings. In each case, we will analyse the implications of the market behaviour for consumers and society and explore the potential role for public policy with instruments like regulation, competition policy and patent policy.

Programme and Course Advice

Prerequisite: ECON 201 and 15 points from MATHS 108, 150, 153.

Goals of the Course

The goal of this course is to equip students with a basic understanding of the functioning of imperfectly competitive markets, which they will find useful in subsequent employment, postgraduate study or research. The course aims to combine theory and case studies to enable students to better understand market outcomes in a variety of different industry settings.

Learning Outcomes

By the end of this course it is expected the student will:

1. be familiar with modern theories of imperfect competition;
2. be able to understand the interdependence of market structure, firm behaviour and market outcome;
3. be familiar with basic game theory tools;
4. know how to apply basic game theory tools to analyse market situations;
5. be able to critically evaluate the market outcome of an industry based on its general characteristics; and
6. be able to understand basic ideas of competition policy and regulation.

Content Outline

Week 1: Part I: Some Basic Mathematical Tools and Introduction to Industrial Economics [Chapters 1-4]

Week 2: Part I: Introduction to Industrial Economics (continued) [Chapters 1-4];
Part II: Price and Nonprice Tactics for Firms with Market Power [Chapters 5, 6]

Week 3: Part II: Price and Nonprice Tactics for Firms with Market Power (continued) [Chapters 5, 6]

Week 4: Part III: Oligopoly and Strategic Interaction [Chapters 7, 8]

Week 5: Part III: Oligopoly and Strategic Interaction (continued) [Chapters 9, 10]

Week 6: Part IV: Contractual Relationships between Firms [Chapters 11-13]

Week 7: Part IV: Contractual Relationships between Firms (continued) [Chapters 11-13]

Week 8: Part IV: Contractual Relationships between Firms Revised [Motta, Chapters 4-6]

Week 9: Part IV: Contractual Relationships between Firms Revised (continued) [Motta, Chapters 4-6]

Week 10: Part V: Topics in Nonprice Competition [Chapters 14-16]

Week 11: Case Studies Presentations

Week 12: Case Studies Presentations (continued)

Learning and Teaching

This course is taught in the first semester. To achieve the learning outcomes outlined above, a variety of teaching approaches will be utilised including lectures, and tutorials. There will be a total of 36 lecture contact hours in 12 weeks and a weekly one-hour tutorial starting in week 2. Tutorials are devoted to discussing problem sets. Students are encouraged to sign up to one of the three alternative weekly tutorial sessions on offer. There are three alternative timeslots for students to choose from, i.e., either on Tuesday, or Wednesday, or Friday, 4-5pm. Please consult the official timetable for details about the venues of each of those alternatives. Students are expected to use at least 6 additional hours each week for reading and preparing for the lectures and tutorials. Active participation is essential, and students will be expected to master material assigned in lectures and tutorials.

Teaching Staff

Lecturer

Dr Simona Fabrizi

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Office Hours: Monday, 2-5pm

Tutor

Harry Kleyer

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Learning Resources

The Prescribed Textbook for this course is:

- *Contemporary Industrial Organization: A Quantitative Approach*, by Lynne Pepall, Daniel Jay Richards, George Norman, 2011 Edition, John Wiley & Sons, Inc.
ISBN: 978-0-470-59180-2.

Other Recommended Bibliographic References to consult are:

- *Industrial Organization: A Strategic Approach*, by Jeffrey R. Church and Roger Ware. Free download of the electronic version of this book is available at https://works.bepress.com/jeffrey_church/23/
- *Competition Policy: Theory and Practice*, by Massimo Motta, Cambridge University Press 2004. ISBN: 0-512-81663-7.
- *An Introduction to Game Theory*, by Martin Osborne, Oxford University Press ISBN-13: 978-0-19-512895-6.
- Further readings to be given during the semester (journal articles, newspaper articles, etc., related to the topics taught).

No course book will be provided. Lecture slides and tutorial exercises will be provided on CANVAS prior to each session. Students are expected to read and review the related material in the textbook, as referenced in the Content Outline.

Assessment

Coursework is worth 40% of the total mark, consisting of **one Test** worth 25% and **one Assignment** worth 15%; and the **Final Examination** worth 60%.

Plussage does **NOT** apply.

The Mid Semester Test will be held in week 8. To minimise clashes, the test will take place during normal teaching time. More details will be provided at lectures and on CANVAS. Students facing a test clash should advise the Department's Enquiries Office, 6th Floor, Owen G. Glenn Building, as early as possible.

Mid Semester Test Date	
Semester 1 - Week 8	Tuesday, 9 May, 12:00-14:00

The assignment aims at reinforcing the material covered in the course. Tutorial questions and practice sets provide an indication of the standard required for the midterm test and the final examination, as well as an opportunity to develop problem-solving skills. In due course, detailed instructions about the assignment will be available on CANVAS. As part of the assignment, toward the end of the semester students will be asked to give presentations, live, of their analysis of a selected merger case.

The Test and Final Exam each provide an opportunity for the student to demonstrate not only their knowledge of models and problem solving skills but also their ability to describe and discuss their results.

Learning Outcome	Assignment	Test	Final Exam
1	X	X	X
2	X	X	X
3	X	X	X
4	X	X	X
5			X
6			X

CHEATING AND PLAGIARISM

The University of Auckland regards cheating as a serious academic offence.

Plagiarism is a form of cheating. In coursework assignments submitted for marking, plagiarism can occur if you use the work and ideas of others without explicit acknowledgment. Work can be plagiarised from many sources, including books, journal articles, the internet, and other students' assignments.

The way of avoiding plagiarism is to reference your work properly. If you are in doubt about how to reference properly, ask someone – your lecturers, tutors and the Student Learning Centre are good places to start. Please refer to the following website for further information about academic referencing: www.cite.auckland.ac.nz/

The document *Guidelines: Conduct of Coursework* provides further advice on how to avoid plagiarism. It can be found at: <https://policies.auckland.ac.nz/policies/Policies/policy-display-register/guidelines-for-the-conduct-of-coursework.pdf>

The penalties for plagiarism can be severe, including losing some or all of the marks for the assignment. Major offences can be sent to the University's Discipline Committee, where further penalties can be imposed.

Inclusive Learning

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the course convenor/lecturer and/or tutor.

Student Feedback

We seek feedback from the students in this course every semester that the course is taught. At the end of this semester students will be asked to undertake a comprehensive evaluation of both the course and its contents as well as the teaching of the lecturers involved.

Class representatives

At the beginning of each semester, you will elect a class representative for the course. The role of the class representative is to gather feedback from students in the course and bring this to the lecturer and/or the Department. Class representatives' email addresses are posted on CANVAS and you are encouraged to email or contact them in person, with feedback relating to the course.