

**Course Code: ECON 307**

**Course Title: Industrial Economics**

**Course Type (GED/Core/Elective):** Elective

**Year/Level/Semester/Term:** 3<sup>rd</sup> Year

**Academic Session:** 2021-22 & 2022-23

**Course Teacher/Instructor:**

**Pre-requisite (if any):** ECON 101; ECON 103

**Credit Value:** 04

**Contract Hours:** 60

**Course Rationale:** Understanding market structure and relevant government policies to prevent monopolistic exploitation requires basic knowledge of industrial economics. Study of industrial organization helps explain price and non-price competition among oligopolistic firms, and price discrimination practiced by monopolist firms.

**Course Objective:** The objective of the course is to provide knowledge on market structure and its determinants. The course deals with issues like why firms merge, and why a monopoly firm charges different price in different segments of the market. The course also examines firm behavior in imperfectly competitive market like collusions and cooperation among firms, product differentiation and incurring advertisement expenditure.

**Course Learning Outcomes:** After successful completion of the course, students will be able to:

1. define market structure and identify the elements of market structure;
2. provide explanations for economies and diseconomies of scale;
3. explain the determination of different prices in different segments of a market to maximize profit;
4. apply game theory to solve for price and quantity in a oligopoly market; and
5. identify situations when horizontal and vertical integrations are plausible.

### CLOs Mapped to PLOs

CLO/PLO	PLO1	PLO2	PLO3	PLO4	PLO5	PLO6	PLO7	PLO8	PLO9
CLO1	2	2	0	1	0	1	0	3	1
CLO2	2	3	2	0	2	3	2	3	2
CLO3	3	3	2	2	2	3	1	3	3
CLO4	2	2	2	3	1	2	3	3	3
CLO5	1	1	2	2	3	2	1	3	2

### Course Contents

Topic	Content Summary	Teaching Strategies/Tools	In-Class Assessment	#Class Hours	CLOs
	<b>Part I: Basic Concepts</b>				
1	<b>Introduction:</b> Basic Concepts and Trends; Real World Markets and Trends; Effective Competition.	<b>Strategies:</b> Verbal exposition. <b>Tools:</b> Books; Handouts; Multimedia; Online resources	Q&As Quizzes Homework Assignments Presentations Tutorials	4	1, 3
2	<b>Theories of Competition and Monopoly:</b> Performances Values; Competition and Performance; Effects of Monopoly Power.	As above	As above	4	1, 3
	<b>Part II: Market Structure</b>				
3	<b>Defining Markets and Categories of Competition:</b> Defining the Market; The Elements of Market Structure; Degrees and Concepts of Partial Competition.	As above	As above	4	1, 3
	<b>Part III: Performance</b>				
4	<b>Effects of Market Power on Prices, Profits and Efficiency:</b> Financial Effects and Efficiency.	As above	As above	4	1, 3
5	<b>Technological Progress:</b> Concepts and Relationships; Optimal Technological Change; Analysis of R&D, Innovation and Patents.	As above	As above	4	2, 3
6	<b>Fairness in Distribution and Other Values:</b> Competition Itself: Benefits and Costs; Fairness in Distribution of Wealth; Income and Opportunity.	As above	As above	4	2, 3
	<b>Part IV: Determination of Market Structure</b>				
7	<b>Finance, Mergers and Public Policies:</b> Capital Markets, Mergers and Other Determinants of Structure.	As above	As above	2	1, 5
8	<b>Economies and Diseconomies of Scale:</b> Basic Concepts; Plant Level Economics and Diseconomies; Multi-plant Economies and Diseconomies; Basic Trends in Technology and Methods of Research.	As above	As above	4	2, 3, 4
	<b>Part V: Behavior and Related Topics</b>				
9	<b>Concepts and Conditions:</b> Concepts of Firms and Motivation.	As above	As above	2	1, 3

10	<b>Monopoly, Dominance and Entry:</b> Leading Cases and Trends of Dominance; Sources and Sustaining Factors of Dominance; Concepts of Entry and Limit Pricing, Firm's Choice in the Potential Entry and the Special case of Ultra-Free Entry.	As above	As above	4	3, 5
11	<b>Price Discrimination:</b> The Nature and demerits of Price Discrimination; "Predatory Actions" Including Pricing and Price discrimination.	As above	As above	2	4, 5
12	<b>Theories of Oligopoly:</b> Basic Theories of Interdependence; Models of Non-Collusive Duopoly; Game Theory and Pay-off Matrices; Kinked Demand Curve; Tacit Collusion and Price Leadership; Cost and Demand Conditions; Rules of Thumb Including Sales Maximization.	As above	As above	4	3, 4
13	<b>Collusion in Real Markets:</b> Conditions Favoring Collusion; The Extent of Cooperation; Types of Collusion and Other Devices.	As above	As above	2	1, 5
14	<b>Vertical Condition, Size and Competition:</b> Bilateral Monopoly; Vertical Integration; Vertical Restrictions; Effects of Bigness and Diversification.	As above	As above	4	4, 5
15	<b>Product Differentiation and Advertisement:</b> Selling Cost; Actual Patterns of Advertising; The Role of Advertisement and its Evidence.	As above	As above	4	4, 5
<b>Part VI: Public Policies</b>					
16	<b>Deregulation and Privatization:</b> Regulation of Natural Monopoly; Deregulation; Public Enterprises and Privatization of Public Firms.	As above	As above	4	1, 3

#### Class Schedule:

#### Lesson Plan

Week(s)	Topic(s)	#Classes	CLO(s)	Remarks
1 – 2	1	1 – 4	1, 3	
2 – 4	2	5 – 8	1, 3	
5 – 6	3	9 – 12	1, 3	
7 – 8	4	13 – 16	1, 3	
9 – 10	5	17 – 20	2, 3	<b>Class Test 1: (Topic 1 – 4 ) 17<sup>th</sup> Class)</b>
11 – 12	6	21 – 24	2, 3	
13	7	25 – 26	1, 5	
14 – 15	8	27 – 30	2, 3, 4	
16	9	31 – 32	1, 3	
17 – 18	10	33 – 36	3, 5	
19	11	37 – 38	4, 5	<b>Class Test 2: (Topic 6 – 10) 37<sup>th</sup> Class</b>
20 – 21	12	39 – 42	3, 4	
22	13	43 – 44	1, 5	
23 – 24	14	45 – 48	4, 5	
25 – 26	15	49 – 52	4, 5	
27 – 28	16	53 – 56	1, 3	<b>Class Test 3: (Topic 11 – 15) 53<sup>rd</sup> Class</b>
29 – 30	1 – 16	57 – 60		<b>Review</b>

**Overall Evaluation Policy:**

- a. Continuous Internal Evaluation (CIE): Marks - 00
- b. Year-End Examination (YEE): Marks - 100

Bloom's Category	Marks (100)
Remember	30
Understand	20
Apply	20
Analyze	10
Evaluate	10
Create	10

- c. Grading Scheme: *As in Section 19*

**Policy for Make-Up Classes:**

- Utilize the open slots in consultation with students
- Swap classes with colleagues

***Basic Text***

1. Shepherd, W. G., & Shepherd, J. M. (2004). *The Economics of Industrial Organization*. Waveland Press.

***Recommended References***

1. Tirole, J. (2015). *The Theory of Industrial Organization*. The MIT Press.
2. Waterson, M. (1990). *Economic Theory of the Industry*. University Press.

***Other Resources***

- Online video lectures
- Course-packs
- Handouts