



Academic year	2012-13
Subject	20614 - Industrial Organization
Group	Group 30, 2S, GECO
Teaching guide	F
Language	English

Subject identification

Subject	20614 - Industrial Organization
Credits	2.4 in-class (60 hours) 3.6 distance (90 hours) 6 totals (150 hours).
Group	Group 30, 2S, GECO(Campus Extens)
Teaching period	2nd semester
Teaching language	English

Lecturers

Lecturers	Timetable for student attention					
	Starting time	Finishing time	Day	Start date	Finish date	Office
Marc Escrihuella Villar	11:00h	12:00h	Thursday	24/09/2012	26/07/2013	DB-252
marc.escrihuella@uib.es	16:00h	18:00h	Monday	24/09/2012	26/07/2013	DB-252

Degrees where the subject is taught

Degree	Character	Academic year	Studies
Degree in Economics	Compulsory	Second course	Degreee

Contextualisation

This course is basically devoted to the definition and clarification of basic concepts of the Microeconomic theory like the market and its structure. At the same time, key strategic aspects of the competence between firms are also considered. To that extent, several theoretical models and formal developments of Microeconomics and Game Theory will be taken into account. In this sense, the Industrial Organization subject is placed in the Microeconomics unit and is based in what the students have already learnt in previous subjects like Introduction to Economics, Game Theory, Microeconomics, Welfare Economics together with basic knowledge of Mathematical theory in its subjects of Optimization which are compulsory to properly follow the present subject. The main and specific goals that this program pursues are based on, firstly, analyzing perfect competition and efficient resource allocation to afterwards focus on the study of the behaviour of firms in the markets where the basic assumptions of perfect competition do not hold. Secondly, the program also considers market power analysis, considering monopoly and several other topics like price discrimination and price setting. Afterwards, the strategic behaviour of oligopolists in the short and long run will be analyzed, from the static competence to the dynamic one, product choice and entry decision. Product differentiation and mergers will also be considered. Practical and empirical applications will be discussed to convey the right conclusions to the students. The present program fills a wide variety of strategic behaviour of firms and the student will have the chance to be familiarized with the different possible market structures.

Requirements





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No prerequisite is required in the sense that it is not compulsory to have passed any previous subject to be enrolled in the present course.

Recommendable

To properly follow the subject, it is recommended to have passed previously the subjects of Game Theory, Microeconomics, Mathematics, Optimization and Welfare Economics.

Skills

The main goal of the Industrial Organization subject is to contribute to the achievement by the student of the following competences which belong to the set of competences established in the study plan of the Economics Degree.

Specific

1. To understand the economic institutions as a result and application of theoretical or formal representations about how the economy works..
2. To identify and anticipate relevant economic problems regarding the general resource allocation both in the private and the public level..
3. To contextualize economic problems by means of the use of formal models knowing how to incorporate to the basic models extensions and variations in the basic assumptions, that respect the established hypotheses acknowledging their potentialities and limitations..
4. To provide rationality to the analysis and to the description of any aspect of the economic reality..

Generic

1. To analyze problems with critical reasoning, accuracy, strictness and being open-minded..
2. To be able to fluently communicate in you sphere, being also able to do team work..
3. To defend your point of view showing and appreciating the bases of other divergent points of view..

Content

The present syllabus is structured in four different blocks. The first one is introductory where Industrial Economics and its goal of study are defined. At the same time, different market structures are presented together with the proper concentration and volatility measures. In the second block, the basic monopoly model, its efficiency consequences and possible regulation measures are analyzed. The third block is devoted to the study of the strategic interaction of the oligopoly analyzing different models and strategic situations. For instance, the syllabus covers the homogeneous and differentiated product models. Also, the present syllabus takes into consideration the structural determinants of the competence like for instance the entry barriers. The last part of this block analyzes two key aspects that drive the market organization: i) innovation that constitutes the essential core in which lies market competition and ii) market integration, either horizontal or vertical. Finally, the fourth and last block considers the antitrust policies, focusing specially in the industrial policy in the European and Spanish sphere.

Theme content

Block 1. Introduction to Industrial Organization

Topic 1. Industrial Economics: characteristics and contents



- Definition of Industrial Economics
- Goal of Industrial Economics
- Main Schools of thought
- The paradigm of the structure-behaviour-results and its limitations

Topic 2. Structure of the markets

- Market definition
- Concentration and volatility measures
- Typology of the different structures
- Perfect competition and efficiency. Short and long run. Favourable conditions for competitive markets.

Block 2. Monopoly power

Topic 3. The Monopoly

- The basic model
- Monopoly inefficiency
- Monopoly regulation
- The natural monopoly and its regulation.

Topic 4. Price discrimination and product selection

- Perfect discrimination
- Discrimination among markets
- Consumers self-selection discrimination
- Time discrimination: durable goods consumption. The Coase conjecture
- Product selection

Block 3. Oligopolies strategic interaction

Topic 5. Homogeneous product oligopoly

- 5.1 Oligopoly static models
 - Bertrand model
 - Cournot model
 - Stackelberg model
 - Conjectural variations
- 5.2 Oligopoly dynamic models
 - Dynamic models
 - Experience economies
 - Switching costs
 - Factors that facilitate and hinder collusion

Topic 6. Oligopoly with differentiated products and advertising

- Oligopoly with differentiated products and advertising
 - Product differentiation
 - Linear model of spatial competition (Hotelling).
 - Circular model of spatial competition (Salop).
 - Monopolistic competition
 - Determinants and effects of advertising

Topic 7. Entry barriers

- Entry barriers
 - Types of entry barriers
 - Blockaded, deterred and accommodated entry
 - Linear model
 - Spence-Dixit model.



Topic 8. Technological change and R&D

- Research and development. Innovation
- Market structure and R&D
- Governments and R&D races.
- Innovation development.

Topic 9. Mergers and acquisitions

- Types, nature and causes. Horizontal mergers and vertical integration
- Advantages and disadvantages, individually and collectively
- Diversification as a strategy.

Block 4. Competition policies

Topic 10. Industrial and competition policies

- Spanish and European normative
- Industrial policy
- Competition policy. Errors type I vs. Errors type II
- Firms and markets regulation.

Teaching methodology

In order to benefit the autonomy and personal work of the student, the subject has been incorporated to the 'Campus Extens' project, which is devoted to the flexible and open education by using telematics. The student will be able to use an online communication with the teacher, a calendar with interesting news, e-documents, Internet links and several proposals for autonomous work.

In-class work activities

Modality	Name	Typ.Gr.	Description
Theory classes	Theory	Large group (G)	The different concepts that the students have to achieve will be presented. In order to facilitate its development, the students are required to properly take notes during the lessons. The students will also have the reference books at their disposal to complement and to study in depth those topics in which the student is most interested. Furthermore, additional information will be provided, for each topic, about the advisable method and the material that the students should use in order to independently prepare the subject.
Practical classes	Activities	Medium group (M)	Exercises will be solved by the students which will be used to auto-evaluate their knowledge and achieving the necessary competences.
ECTS tutorials	Office hours	Small group (P)	Doubts about theoretical and practical questions can be solved.
Assessment	Final exam	Large group (G)	The students will take a final exam about the subject that has been given during the whole course. The exam will consist of both theoretical and practical questions.
Assessment	Mid term exam 1	Medium group (M)	Assessment of the concepts that the students have acquired in the first 4 topics.
Assessment	Mid term exam 2	Medium group (M)	Assessment of the concepts that the students have acquired in the topics 5 and 6.





Modality	Name	Typ.Gr.	Description
Assessment	Mid term exam 3	Medium group (M)	Assessment of the capacity to work with the elements of strategic competition developed in the last topics of the syllabus regarding a specific economic sector.

Distance education work activities

Modality	Name	Description
Individual self-study	Study	The student will have to study independently the theoretical and practical contents of the subject in order to prove that both theoretical and practical concepts likewise the required competences have been achieved.
Group or individual self-study	Activities	The students will have to solve exercises that have to be used to strengthen the knowledge and to develop the capacity to analyze and communicate the relevant information to solve economic problems. Moreover, the team work will favour the interchange of critical opinions both between the teacher and the students and among students.
Group or individual self-study	Sectorial reports	Analysis of a particular sector or industry proposed by the student or by the teacher in order for the student to be able to analyze the strategic behaviour of the firms of the sector based on the knowledge acquired during the course.

Risks specifics i mesures de protecció

Les activitats d'aprenentatge d'aquesta assignatura no comporten riscos específics per a la seguretat i salut de l'alumnat i, per tant, no cal adoptar mesures de protecció especials.

Workload estimate

This will be the approximate distribution of activities for the subject. This distribution could be slightly changed whenever methodological needs from the teacher or from the subject require it.

Modality	Name	Hours	ECTS	%
In-class work activities		60	2.4	40
Theory classes	Theory	22.5	0.9	15
Practical classes	Activities	28	1.12	18.67
ECTS tutorials	Office hours	3	0.12	2
Assessment	Final exam	2	0.08	1.33
Assessment	Mid term exam 1	1.5	0.06	1
Assessment	Mid term exam 2	1.5	0.06	1
Assessment	Mid term exam 3	1.5	0.06	1
Distance education work activities		90	3.6	60
Individual self-study	Study	50	2	33.33
Total		150	6	100





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Modality	Name	Hours	ECTS	%
Group or individual self-study	Activities	30	1.2	20
Group or individual self-study	Sectorial reports	10	0.4	6.67
Total		150	6	100

At the beginning of the semester a schedule of the subject will be made available to students through the UIBdigital platform. The schedule shall at least include the dates when the continuing assessment tests will be conducted and the hand-in dates for the assignments. In addition, the lecturer shall inform students as to whether the subject work plan will be carried out through the schedule or through another way included in the Campus Extens platform.

Student learning assessment

The present subject envisages a continuous assessment. The final exam in June represents 50% of the final grade. The other 50% will be distributed within 3 mid term exams that will be done during the semester as indicated in the chronogram. Whenever a student does not pass the subject in June, the student will have the chance to take another exam in September that will represent 50% of the final grade. If the student has a grade below 5 in the final exam, they will also have the chance to take another exam in September, although her final grade in June was above 5. In this case, the final grade of the student will be calculated, in all cases, using the grade obtained in the exam taken in September. Had the student passed the subject in June and being her grade in the final exam not below 5, the student will not have the chance to take the exam in September to improve the final grade. Whenever a student does not take a mid term exam, their grade for this particular exam will be equal to 0. In the exceptional case of personal judgment, death of a first grade relative or personal hospitalization and being these circumstances properly demonstrated, the percentage of assessment corresponding to the mentioned mid term exam will be transferred to the final exam. The student will only obtain the final grade of 'Not presented' when the student had handed less than one third of the activities subject to assessment. The minimum grade required on the final exam in order to average the evaluations conducted throughout the semester will be a 3.5 out of 10. Students who have an average grade of the 3 mid term exams larger than 7.5 should not make the final exam and the final grade will correspond to the average of the 3 mid term exams. During the semester, the teacher could propose compulsory activities to pass the subject even though the students could not get any assessment for those activities. For those students who consider the UIB considers officially as part-time students we offer the possibility to benefit from the route B which implies making a final exam that will account for 100% of your grade.

Final exam

Modality	Assessment
Technique	Objective tests (Recoverable)
Description	The students will take a final exam about the subject that has been given during the whole course. The exam will consist of both theoretical and practical questions.
Assessment criteria	Adequacy of the procedures used to solve the proposed exercises and accuracy of the results. Test format: A number of theoretical questions to determine development and a yet undetermined number of practical exercises. The numerical evaluation criteria will be attached to the statement of the test.

Percentage of final qualification: 50% following path A

Percentage of final qualification: 100% following path B





Mid term exam 1

Modality	Assessment
Technique	Objective tests (Non-recoverable)
Description	Assessment of the concepts that the students have acquired in the first 4 topics.
Assessment criteria	Adequacy of the procedures used to solve the proposed exercises and accuracy of the results. Test format: A number of theoretical questions to determine development and a yet undetermined number of practical exercises. The numerical evaluation criteria will be attached to the statement of the test.

Percentage of final qualification: 16% following path A

Percentage of final qualification: 0% following path B

Mid term exam 2

Modality	Assessment
Technique	Objective tests (Non-recoverable)
Description	Assessment of the concepts that the students have acquired in the topics 5 and 6.
Assessment criteria	Adequacy of the procedures used to solve the proposed exercises and accuracy of the results. Test format: A number of theoretical questions to determine development and a yet undetermined number of practical exercises. The numerical evaluation criteria will be attached to the statement of the test.

Percentage of final qualification: 17% following path A

Percentage of final qualification: 0% following path B

Mid term exam 3

Modality	Assessment
Technique	Extended-response, discursive examinations (Non-recoverable)
Description	Assessment of the capacity to work with the elements of strategic competition developed in the last topics of the syllabus regarding a specific economic sector.
Assessment criteria	Adequacy of the procedures used to solve the proposed exercises and accuracy of the results. Test format: A number of theoretical questions to determine development and a yet undetermined number of practical exercises. The numerical evaluation criteria will be attached to the statement of the test.

Percentage of final qualification: 17% following path A

Percentage of final qualification: 0% following path B

Resources, bibliography and additional documentation

Lecture notes and the discussed or solved problems will be the main reference in order to follow the subject. Additionally, the reference books represent an important help to satisfactorily complete and complement the subject. Additional references can be provided during the course.

Basic bibliography

- Luis Cabral, "Introduction to Industrial Organization", MIT Press, 2000. - O. Shy, 'Industrial Organization: Theory and Applications', MIT Press, 1998. - Luís Cabral, 'Economía Industrial', McGraw Hill, 1997. - H. Varian, 'Introduction to Microeconomics'. Ed. Antoni Bosch.

Complementary bibliography



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- D.W. Carlton y J.M. Perloff, 'Modern industrial organization', Addison-Wesley, 2000. - J. Church y R. Ware, 'Industrial Organization', Mc Graw Hill, 2000. - Roger Clarke, 'Economía Industrial', Celeste ediciones. - Steven Martin, 'Advanced Industrial Economics', McMillan. - L. Pepall, D.J. Richards y G. Norman, 'Industrial organization: contemporary theory and practice', Thomson Learning, 2002. - Jean Tirole, 'Teoría de la Economía Industrial', Ed. Ariel, 1988.

Other resources

-PRÁCTICAS DE LAS ASIGNATURAS DE ECONOMÍA Y ORGANIZACIÓN INDUSTRIAL/ Marc Escrihuela, Maria Sard Bauzá, Maria Tugores Ques. Palma: Universitat de les Illes Balears, 2012. Material didáctico número 153.

