

Academic year	2017-18
Subject	21209 - Industrial Economics
Group	Group 34, 2S, GATU
Syllabus	D
Language	English

## Subject

<b>Name</b>	21209 - Industrial Economics
<b>Credits</b>	2.4 in-class (60 hours) 3.6 distance (90 hours) 6 total (150 hours).
<b>Group</b>	Group 34, 2S, GATU (Campus Extens)
<b>Period</b>	Second semester
<b>Language</b>	English

## Lecturers

Lecturers	Office hours for students					
	Starting time	Finishing time	Day	Start date	End date	Office
Alejandro Forcades Pujol	17:00	18:00	Monday	01/10/2017	15/07/2018	DB200

## Context

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 competition 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 Organisation subject is placed in the module of Economic Environment and Microeconomics and is based in what the students have already learnt in previous modules like Economic Environment and Analysis together with basic knowledge optimization from mathematical.

The main and specific goals that this program pursues are based on, firstly, analysing 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 competition 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

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.

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### Recommended

To properly follow the subject, it is recommended to have passed previously the subjects of the module Economic Environment and Microeconomics and optimization methods.

### Skills

You may consult the basic competencies students will have to achieve by the end of the degree at the following address: <http://www.uib.eu/study/grau/Basic-Competences-In-Bachelors-Degree-Studies/>

### Specific

- \* CE2.1.6. To understand and apply several technical instruments of economic analysis in order to study firms and its environment..
- \* CE2.3.6. To understand economic fundamentals and tools of economic analysis relevant in decision-making in firms and organisations, especially at tactical and operative level..
- \* CE2.4. To defend solutions using theoretical and empirical knowledge..

### Generic

- \* CG2. Capacity of adaptation to new situations..
- \* CG5. To analyse problems with critical reasoning, accuracy, strictness and being open-minded..
- \* CG7. Having developed necessary skills to continue in graduate programs with autonomy..

### Basic

- \* You may consult the basic competencies students will have to achieve by the end of the degree at the following address: <http://www.uib.eu/study/grau/Basic-Competences-In-Bachelors-Degree-Studies/>

### 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 analysed. The third block is devoted to the study of the strategic interaction of the oligopoly analysing different models and strategic situations. To do so we do a brief introduction to Game Theory concept. This block covers static and dynamic models, and homogeneous and differentiated product models. In addition, the present block takes into consideration the structural determinants of the competition like entry barriers, innovation and development, and market integration, either horizontal or vertical.

Finally, the last block considers policies of competition making especial emphasis in industrial and competition policies both at European and at Spanish level.

### 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

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

Block 3. Oligopolies strategic interaction

Topic 5. Introduction to Game Theory

- Definition and representation of a game.
- Dominant and dominated strategies.
- Nash equilibrium.
- Perfect equilibrium in subgames.
- Repetitive games.

Topic 6. Oligopoly static models

- Bertrand model
- Cournot model
- Stackelberg model

Topic 7. Oligopoly dynamic models

- Experience economies
- Switching costs
- Dynamic models
- Factors that facilitate and hinder collusion

Topic 8. Oligopoly with differentiated products

- Product differentiation
- Linear model of spatial competition (Hotelling).
- Determinants and effects of advertising

Topic 9. Entry barriers

- Types of entry barriers
- Blockaded, deterred and accommodated entry

- Spence-Dixit model.

Topic 10. Mergers and acquisitions

- Types, nature and causes. Horizontal mergers and vertical integration
- Advantages and disadvantages, individually and collectively.

Topic 11. Technological change and R&D

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

Block 4. Policies of competition

Topic 12. Industrial and competition policies

- European and Spanish law.
- Industrial policy.
- Competition policy.
- Firms and market 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.

Workload

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.

In-class work activities

Modality	Name	Typ. Grp.	Description	Hours
Theory classes	Theory classes	Large group (G)	The different concepts that the students have to achieve will be presented	22.5
Practical classes	Practical classes	Medium group (M)	Exercises will be solved by the students which will be used to auto-evaluate their knowledge and achieving the necessary competences.	28
ECTS tutorials	Tutorials	Small group (P)	Doubts about theoretical and practical questions can be solved.	3
Assessment	Activity	Medium group (M)	Assessment of the concepts of strategic competition developed in the last chapters referred to a particular economic sector.	1.5
Assessment	Final exam	Large group (G)	The students will take a final exam about the subject that has been given during the whole course.	2
Assessment	Mid term exam 1	Medium group (M)	Assessment of the concepts that the students have acquired in	1.5

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Modality	Name	Typ. Grp.	Description	Hours
			topics 1-4.	
Assessment	Mid term exam 2	Medium group (M)	Assessment of the concepts that the students have acquired in the chapters 5-7.	1.5

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.

### Distance education work activities

Modality	Name	Description	Hours
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. We will also use notes, news and experiments.	45
Group self-study	Sectorial reports	To analyse a particular industry or sector on top of the knowledge learnt during the course.	15
Group or individual self-study	Assignments of exercises	To consolidate knowledge acquired through practical applications.	30

### Specific risks and protective measures

The learning activities of this course do not entail specific health or safety risks for the students and therefore no special protective measures are needed.

### Student learning assessment

The student will undergo continuous assessment. The final exam in June or July represents a 50% of the final grade. The assessment path assigns the 50% of the continuous assessment to other activities and tasks. The minimum grade required for the final exam and for the group activity will be 3.5 out of 10. 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, the death of a first-degree 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.

Whenever a student does not pass the subject in June, the student will have the chance to take another exam in July that will represent a 65% of the final grade. This 65% represents the final exam and one of the two mid terms (1 or 2). If both mid terms were failed, only the one with lower points would be retrievable. In case of only failing the final exam, students take the second-chance exam for its corresponding weight of 50% (meaning mid-term marks remain unchanged).

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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.

### Activity

Modality	Assessment
Technique	Extended-response, discursive examinations ( <b>non-retrievable</b> )
Description	Assessment of the concepts of strategic competition developed in the last chapters referred to a particular economic sector.
Assessment criteria	
Final grade percentage:	20%

### Final exam

Modality	Assessment
Technique	Extended-response, discursive examinations ( <b>retrievable</b> )
Description	The students will take a final exam about the subject that has been given during the whole course.
Assessment criteria	
Final grade percentage:	50% with minimum grade 3.5

### Mid term exam 1

Modality	Assessment
Technique	Objective tests ( <b>retrievable</b> )
Description	Assessment of the concepts that the students have acquired in topics 1-4.
Assessment criteria	
Final grade percentage:	15%

### Mid term exam 2

Modality	Assessment
Technique	Objective tests ( <b>non-retrievable</b> )
Description	Assessment of the concepts that the students have acquired in the chapters 5-7.
Assessment criteria	
Final grade percentage:	15%

## 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

Cabral, L., "Economía Industrial", McGraw Hill, 1997.  
 Callejón, M., Bel, G., Costa, M.T., Segarra, A., "Economía Industrial", Ed. Civitas, 2001.  
 Shy, O., "Industrial organization: theory and applications", MIT Press, 1998.  
 Varian, H., "Introduction to microeconomics", Antoni Bosch, 1994



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### Complementary bibliography

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Carlton, D.W. y Perloff, J.M., "Modern industrial organization", Addison-Wesley, 2000.  
Church, J. y Ware, R., "Industrial organization", Mc Graw Hill, 2000.  
Clarke, R., "Economía industrial", Celeste Ediciones, 1993.  
Dixit, A. y Nalebuff, B.J., "Pensar estratégicamente: un arma decisiva en los negocios, la política y la vida privada", Antoni Bosch, 1992.  
Fernández de Castro, J. y Duch, N., "Economía industrial: un enfoque estratégico", Mc Graw Hill, 2003.  
Martin, S., "Advanced industrial economics", Blackwell, 1993.  
Pepall, L., Richards, D.J. y Norman, G., "Industrial organization: contemporary theory and practice", Thomson Learning, 2002.  
Pérez, J., Jimeno, J.L. y Cerdà, E., "Teoría de juegos", Prentice Hall, 2003.  
Tirole, J., "Teoría de la economía industrial", Ed. Ariel, 1988

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### Other resources

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Escarihuela, M., Sard, M. y Tugores, M., "Prácticas de las asignaturas de economía y organización industrial", Material diàctic 153, Universitat de les Illes Balears, 2012.  
Jaén, M., "Ejercicios de economía industrial", Septem ediciones, 2013.

