



B.E. International Program

Faculty of Economics, Thammasat University



Course Syllabus

EE481 Industrial Economics

Semester 1/2016 (August 15 – December 4, 2016)

Number of credits: 3 credits (3-0-6)

Instructor:

(Section 046401)

Dr. Phongthorn Wrasai

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Office hours: by appointment

(please email)

(Section 046402)

Assoc. Prof. Dr. Chanin Mephokee

Office: Room 450 Faculty of Economics

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Office hours: by appointment

Lecture Time and Venue:

(Section 046401)

Tuesday and Thursday,

12.30 – 14.00 hours

Room 302 Faculty of Economics

(Section 046402)

Tuesday and Thursday,

12.30 – 14.00 hours

Room 303 Faculty of Economics

Course Description:

The class studies behaviors of production unit and relationships among the units under different market structures by analyzing producer behavior, market structure, conduct and performance, the analysis of price theory using game theory as an analysis tool.

Prerequisites: EE311

Course Objectives:

We study behaviors of firms in imperfectly competitive markets. First, the class will start with the methodology used in this study such as S-C-P model and game theory. Then firm strategies in oligopoly market will be examined. The firm strategies would include both pricing and non-pricing strategies. In addition, some regulatory tools to prevent abuse of market-power and promote market efficiency will be covered.

Main Textbooks:

Carlton, D.W. and J.M. Perloff, *Modern Industrial Organization*, 4th Edition, Global Edition, Pearson, 2015. (abbreviation = CP)

Rasmusen, E., *Games & Information*, 3rd. Edition, Backwell, 2001.

(abbreviation = R)

Other Textbooks:

*Church, J. and R. Ware, *Industrial Organization: A Strategic Approach*, International Edition, McGraw-Hill, 2000. (abbreviation = CW)

*used as the required text for some lessons. This book is available free online for non-commercial purposes.

Tirole, J., *Industrial Organization*, The MIT Press, 1989.

* more advanced materials for those who would like to explore.6.2

Required Readings:

Dixit, A., "A Model of duopoly suggesting a theory of entry barriers," *The Bell Journal of Economics*, 10 No.1, 20-32, 1979.

Kreps and Wilson," Reputation and Imperfect Information", *Journal of Economic Theory*, 27, 253-279, 1982.

Milgrom and Roberts," Price and Advertising Signals of Product Quality", *Journal of Political Economy*, 94 No.4, 1986.

Nevo and Wolfram," Why do manufacturers issue coupons? An empirical analysis of breakfast cereals", *RAND Journal of Economics*, 33 No.2, 319-339, 2002.

Other Readings:

Harvard Business Review (<http://hbr.org/>)

The Economist (<http://www.economist.com/>)

Prachachat Online (<http://www.prachachat.net/>) (หนังสือพิมพ์ประชาชนชาติธุรกิจ)

Bangkokbiznews (<http://www.bangkokbiznews.com/home/>) (หนังสือพิมพ์กรุงเทพธุรกิจ)

Teaching Plan

Part I Overview

Overview <ul style="list-style-type: none"> • Models • Organization 	CP 1 (or CW 1)
The Firm and Costs <ul style="list-style-type: none"> • The Firm • Mergers and Acquisitions • Cost Concepts • Economies of Scale • Empirical Studies of Costs Curves • Cost Concepts for Multiproduct Firms 	CP 2 (or CW 2)

Part 2 Market Structures

Competition	CP 2 (Self Review)
Monopoly	CP 3 (Self Review)
Dominant Firms with a Competitive Fringe <ul style="list-style-type: none"> • Why Some Firms Are Dominant • The No-Entry Model • The Dominant Firm-Competitive Fringe Equilibrium • A Model with Free, Instantaneous Entry 	CP 4
Cartels <ul style="list-style-type: none"> • Why Cartels Form • Creating and Enforcing the Cartel • Consumer Gains as Cartel Fails • Price-Fixing Laws 	CP 5
Oligopoly Game Theory <ul style="list-style-type: none"> • Static Games • Dynamic Games The Cournot Model The Bertrand Model The Stackelberg Model Multi-period Models of Oligopoly	CP 6 R 1-3 R 4-6 CP 6 (or CW 8.2) CP 6 (or CW 8.3) CP 6

<ul style="list-style-type: none"> • Single-Period Prisoners' Dilemma Game • Infinitely Repeated Prisoners' Dilemma Game • Types of Equilibria in Multi-period Games 	CP 6 (or CW 10)
Product Differentiation and Monopolistic Competition <ul style="list-style-type: none"> • Differentiated Products • The Representative Consumer Model • Location Models • Hybrid Models • Estimation of Differentiated Goods Models 	CP 7

Part 3 Business Practices: Strategy and Conduct

Price Discrimination <ul style="list-style-type: none"> • Nonuniform Pricing • Incentives and Conditions for Price Discrimination • Types of Price Discrimination • Welfare Effects of Price Discrimination 	CP 9
Midterm Exam (Thursday, October 6, 2016; 12.30-14.30 hrs.)	
Advanced Topics in Pricing <ul style="list-style-type: none"> • Nonlinear Pricing <ul style="list-style-type: none"> ○ A Single Two-Part Tariff ○ Two Two-Part Tariff • Tie-in Sales • Quality Choice • Other Methods of Nonlinear Pricing 	CP 10
Strategic Behavior <ul style="list-style-type: none"> • Noncooperative Strategic Behavior <ul style="list-style-type: none"> ○ Predatory Pricing ○ Limit Pricing ○ Investment to Lower Production Costs ○ Raising Rivals' Costs • Cooperative Strategic Behavior <ul style="list-style-type: none"> ○ Practices That Facilitate Collusions 	CP 11
Vertical Integration and Vertical Restrictions <ul style="list-style-type: none"> • The Reasons for and Against Vertical Integration <ul style="list-style-type: none"> ○ Integration to Lower Transaction Costs ○ Integration to Assure Supply ○ Integration to Eliminate Externalities ○ Integration to Avoid Government Intervention ○ Integration to Increase Monopoly Profits ○ Integration to Eliminate Market Power 	CP 12

<ul style="list-style-type: none"> • Vertical Restrictions <ul style="list-style-type: none"> ○ Vertical Restrictions Used to Solve Problems in Distribution ○ The Effects of Vertical Restrictions ○ Banning Vertical Restriction 	
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Part 4 Information, Advertising, and Disclosure

Information <ul style="list-style-type: none"> • Why Information is Limited • Limited Information about Quality • Limited Information about Price • Providing Consumer Information Lowers Price 	CP 13
Advertising and Disclosure <ul style="list-style-type: none"> • Information and Advertising <ul style="list-style-type: none"> ○ Promotion ○ “Search” Vs. “Experience Goods” ○ Informational Vs Persuasive Advertising ○ Profit-Maximizing Advertising • Effect of Advertising on Welfare <ul style="list-style-type: none"> ○ Price Advertising Increases Welfare ○ Advertising to Solve the Lemons Problems ○ When Advertising is Excessive • False Advertising 	CP 14 (or CW 17)

Part 5 Dynamic Models and Market Clearing

Patents and Technological Change <ul style="list-style-type: none"> • Patents, Copyrights, and Trademarks • Incentives for Inventions Are Needed • Patents, Prizes, Research Contracts, and Joint Ventures 	CP 16 (or CW 18)
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Part 6 Government Policies and Their Effects

Competition Laws and Policy	CP 19 (or CW 19)
Regulation and Deregulation	CP 20 (or CW 24)

Evaluation Methods:

Homework*	15%
Mid-term Examination	35% (Thursday, October 6, 2016; 12.30-14.30 hrs.)
Final Examination	50% (Wednesday, December 14, 2016: 09.00-12.00 hrs.)

*Late homeworks count as 50% of your actual marks

Important Dates:

First semester begins	August 15, 2016
Period of withdrawal without “W”	August 15 - 29, 2016
Mid-Term Examination Period	October 3 - 8, 2016
Course withdrawal with “W”	October 19 - 25, 2016
Last day of class	December 4, 2016
Final Examination Period	December 6 - 22, 2016
