ECON4102 / ECON6301
Strategic Market Behaviour and
Government Regulation

Course Outline
Semester 2, 2015

Part A: Course-Specific Information

Students are also expected to have read and be familiar with Part B Supplement to All Course Outlines. This contains Policies on Student Responsibilities and Support, Including Special Consideration, Plagiarism and Key Dates. It also contains the BUSINESS SCHOOL PROGRAM LEARNING GOALS.
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1 STAFF CONTACT DETAILS

Lecturer-in-charge: Professor Hodaka Morita
Room: BUSINESS SCHOOL 414
Phone No: 9385 3341
Email: h.morita@unsw.edu.au
Consultation Times – Thursday 3 – 5 pm

1.1 Communications with staff

You should feel free to contact your lecturer about any academic matter. However, I strongly encourage, for efficiency, all enquiries about the subject material be made at lectures or during consultation time. Discussion of course subject material will not be entered into via lengthy emails.

Email correspondence on administrative matters will be responded to within 48 hours, but not over weekends. Please note that the lecturer has no advance notice of the date and time of the final exam [the subject of many emails].

2 COURSE DETAILS

2.1 Teaching Times and Locations
Lectures start in Week 1 (to Week 12). The time(s) and location(s) is/are:

- Wednesdays 18:00 – 21:00
- Business School 130 (E15)

2.2 Units of Credit
The course is worth 6 units of credit.
This course is taught in parallel to both undergraduate and postgraduate students.

2.3 Summary of Course
This is a course intended for honours and post graduate students interested in industrial organization. As such, this course will be demanding.

Topics covered will be from amongst the following. Monopoly and price discrimination, oligopoly and product differentiation, product durability, cartels and tacit collusion, strategic incumbents and entry, vertically related markets, and R&D and intellectual property. Emphasis will be on theoretical results.

The assessment will be based on a final exam (60%, date to be determined) and problem set assignments (40%, due dates to be announced later).
2.4 Aims and Relationship to Other Courses

The main goal of this course is to provide students with a set of tools and knowledge that would enable them to critically read recent research papers and conduct their own original research in industrial organization. In particular, we focus on investigation into how firms exercise market power in a variety of settings and how the government may curb the negative side effects through regulation. We will develop rigorous theoretical models maintaining their close connections to reality, elaborate on economic logic and intuitions behind the analyses, and discuss real-world implications. The course emphasizes the importance of a theoretical understanding of strategic behaviour as the foundation for any practical application to industry.

We will discuss:

- Monopolistic markets
- Oligopolistic industry structure
- The role of government regulation
- Firm strategies over prices, location choice, product characteristics, entry and exit, and Mergers
- Dynamic competition and collusion
- R&D incentives and intellectual property rights

This course requires that you have completed QMA (ECON1202), QMB (ECON1203), and intermediate microeconomics (ECON2101) (or equivalent courses). In addition, this course assumes your knowledge of basic game theory, elementary calculus, and basic statistics.

2.5 Student Learning Outcomes

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all students in the BUSINESS SCHOOL. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree. You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree.

For more information on the Program Learning Goals and Outcomes, see Part B of the course outline.

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed:
### Program Learning Goals and Outcomes

*This course helps you to achieve the following learning goals*

**Course Learning Outcomes**

On successful completion of the course, you should be able to:

<table>
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<th>Course Assessment Item</th>
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<tr>
<td>This learning outcome will be assessed in the following items:</td>
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<table>
<thead>
<tr>
<th>Item</th>
<th>Knowledge</th>
<th>Critical thinking and problem solving</th>
<th>Written communication</th>
<th>Oral communication</th>
<th>Teamwork</th>
<th>Ethical, environmental and sustainability responsibility</th>
<th>Social and cultural awareness</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Understand the determinants of strategic behaviour in oligopoly markets.</td>
<td>Model the behaviour of monopolists in different circumstances.</td>
<td>Construct written work which is logically and professionally presented.</td>
<td>Communicate ideas in a succinct and clear manner.</td>
<td>Not specifically addressed in this course.</td>
<td>Not specifically addressed in this course.</td>
<td>Not specifically addressed in this course.</td>
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<tr>
<td>2</td>
<td>Understand the determinants of industry structure.</td>
<td>Evaluate the welfare implications of monopolists' behaviour.</td>
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<td>5b</td>
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### 3 LEARNING AND TEACHING ACTIVITIES

#### 3.1 Approach to Learning and Teaching in the Course

The philosophy underpinning this course and its Teaching and Learning Strategies are based on "Guidelines on Learning that Inform Teaching at UNSW. These guidelines may be viewed at: [www.guidelinesonlearning.unsw.edu.au](http://www.guidelinesonlearning.unsw.edu.au). Specifically, the lectures, tutorials and assessment have been designed to appropriately challenge students and support the achievement of the desired learning outcomes. A climate of inquiry and dialogue is encouraged between students and teachers and among students (in and out of class). The lecturers and tutors aim to provide meaningful and timely feedback to students to improve learning outcome.
3.2 Learning Activities and Teaching Strategies

The examinable content of the course is defined by the references given in the Lecture Schedule, the content of Lectures, and the content of the Tutorial Program.

Lectures
The purpose of Lectures is to provide a logical structure for the topics that make up the course; to emphasize the important concepts and methods of each topic, and to provide relevant examples to which the concepts and methods are applied.

Out-of-Class Study
While students may have preferred individual learning strategies, it is important to note that most learning will be achieved outside of class time. Lectures can only provide a structure to assist your study, and tutorial time is limited.

An “ideal” strategy (on which the provision of the course materials is based) might include:

- Reading of the relevant chapter(s) of the text and any readings before the lecture. This will give you a general idea of the topic area.
- Attendance at lectures. Here the context of the topic in the course and the important elements of the topic are identified. The relevance of the topic should be explained.
- Problem sets will an integral part of learning and their importance cannot be overemphasized.

4 ASSESSMENT

4.1 Formal Requirements
In order to pass this course, you must:

- achieve a composite mark of at least 50 out of 100;
- make a satisfactory attempt at ALL assessment tasks (see below). This means a mark of at least 40% in all assessment items.

AND

- Achieve a satisfactory level of performance in the final exam. This means a minimum mark of 40 per cent. Any student having an overall mark of 50 or more but less than 40 per cent in the final examination will be given an UF grade (unsatisfactory fail).

4.2 Assessment Details

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Weighting</th>
<th>Length</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>Assignments</td>
<td>40%</td>
<td></td>
<td>To be announced</td>
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<tr>
<td>Final Exam</td>
<td>60%</td>
<td>3 Hours</td>
<td>University Exam Period</td>
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<tr>
<td>Total</td>
<td>100%</td>
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4.3 Assignment

It is expected that there will be four assignments (subject to change). Details will be provided in class.

Assignments should be typed or clearly handwritten.

4.3.1 Submission Procedure for Assignment

Submission details for assignments will be provided in class. Assignments should be submitted at the beginning of the lecture in which they are due. Assignments should include your full name and student number. It is your responsibility to keep an extra copy of the assignment in case the original is lost or damaged.

4.3.2 Late Submission of Assignment

If you fail to submit your assignment before the deadline you will be given a mark of zero. Special consideration does not apply to late submission of assignments. You will be given enough time to do the assignment and it is your risk if you leave it to the last few days to complete.

4.4 Final Exam Format

The final exam will be for 3 hours. It will cover all the materials covered by the course.

4.5 Quality Assurance

The BUSINESS SCHOOL is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of BUSINESS SCHOOL programs. All material used for such processes will be treated as confidential and will not be related to course grades.

5 COURSE EVALUATION AND DEVELOPMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.
6 COURSE RESOURCES

The website for this course is on UNSW Blackboard at:
http://lms-blackboard.telt.unsw.edu.au/webapps/portal/frameset.jsp

The textbook for this course is:

Also, the following book is recommended especially for PhD students.

In the class, we will concentrate on theoretical principles. For those who are interested in antitrust (competition policy) issues, the following books are recommended:

7 COURSE SCHEDULE

Lectures start in Week 1 and finish in Week 12.

The following schedule is tentative. Not necessarily all of the following topics will be taught. The depth and inclusion of topics will be adapted to the size, interest and composition of the students.

1. Monopoly and Price Discrimination (Week 1)

2. A Brief Introduction to Game Theory (Week 1)

3. Static Models of Oligopoly and Product Differentiation (Weeks 2 – 4½)
4. Product Durability (Weeks 4\frac{1}{2} – 6\frac{1}{2})


5. Cartels and Tacit Collusion (Weeks 6\frac{1}{2} – 7)


6. Strategic incumbents and entry (Weeks 8 – 9)


**Note:** No Class on 30 September due to Mid-Session Break.

7. Vertically Related Markets (Weeks 10 – 11\frac{1}{2})

8. R&D and Intellectual Property (Weeks $11\frac{1}{2} – 12$)