



JSC «Kazakh-British Technical University»

Business School

Department of “Management”

APPROVED

Dean of Business School

_____ Loktionov Y.V.

« ____ » _____ 2014.

SYLLABUS

Discipline: **INDUSTRIAL ORGANIZATION**

Number of credits: **3**

Term: **SPRING 2014**

Instructor’s full name: **DR. ALEX MOSESOV**

| Information on the Instructor | Time and Place | | Contact Information | |
|-------------------------------|---------------------------|---------------------------|---------------------|-------------------|
| | Room | Office Hours (TSIS) | Tel.: | E-mail |
| Ph.D | According to the schedule | According to the schedule | | a.mosesov@kbtu.kz |

Almaty, 2014

COURSE DESCRIPTION

Industrial Organization (IO) is the field of economics that is concerned with the structure of markets and the behavior of firms in these markets. This course describes the goals, strategies and decision making processes of large firms in imperfectly competitive markets, as well as the resulting economic outcomes. Particular emphasis is placed on the interdependence in the decisions of firms operating in a market. The course concerns with how real-world markets work, how firms compete or collude with each other, and how these interactions determine market structure, firms' performance, and social welfare. The role of antitrust policy is discussed throughout the course.

COURSE OBJECTIVE

The objective of this course is to introduce students to several basic theories of Industrial Organization. On completion of the course, students should be able to demonstrate an understanding of various economic theories such as market structure, price discrimination, game theory, etc. The course integrates theoretical models and their practical resolution.

COURSE OUTCOMES

Upon graduating this course, the students will be able to:

- ✓ Recognize the scope and significance of industrial organization,
- ✓ Summarize and critically evaluate ideas on the topic covered in the course,
- ✓ Possess a thorough understanding of selected analytical models employed in industrial organization,
- ✓ Be able to evaluate social effects of different industry structures and different forms of competition,
- ✓ Possess a critical understanding of the interaction between theory and practice of competition (antitrust) policies,
- ✓ Analyze the nature of the firm and its environment,
- ✓ Assess the business objectives and business strategy of firms,
- ✓ Conduct game-theoretic analysis,
- ✓ Understand the significance of demand sensitivity,
- ✓ Assess the major market structures and market failures.

KNOWLEDGE

Students will:

- ✓ Demonstrate an understanding basic concepts of Industrial Organization,
- ✓ Understand the competitive environment and cases of imperfect competition,
- ✓ Understand basic driving forces shaping decision-making of real-life businesses,
- ✓ Learn variety of strategies, industry analysis, and game-theoretic analysis,
- ✓ Learn to production, pricing and marketing strategies in order to compete successfully,
- ✓ Know firms' strategies that are characteristic of market interaction: price competition, product positioning, advertising, and so one.

SKILLS

On completion of this course the students will be able to:

- ✓ Use economic intuition as a practical tool in analysis of imperfect markets,
- ✓ Apply economic models in industry analysis and firms' strategies,
- ✓ Analyze both success and failure situations of companies due to market conditions,
- ✓ Think critically in resolving strategic matters affecting Kazakh companies and markets.

LITERATURE

Core Text:

- ✓ Luis Cabral. Introduction to Industrial Organization (2nd Ed), MIT Press, 2013

Supplementary

- ✓ Don Waldman, Elizabeth Jensen. Industrial Organization: Theory and Practice, 4th Edition, Pearson, 2013
- ✓ John Lipczynski, John Wilson, John Goddard. Industrial Organization. Competition, Strategy and Policy, 4th Edition, Pearson, 2013.
- ✓ Dennis Carlton, Jeffrey Perloff. Modern Industrial Organization, 4th Edition, Pearson, 2004.

COURSE OUTLINE

| Week | Class work | | | SIS (Students Independent Study) | TSIS (Teachers Supervised Independent Study) |
|----------|---|----------|----------|---|---|
| | Topic | Lectures | Practice | | |
| 1 | Introduction to Industrial Organization | 2 | 1 | CT1 | Distribution of individual tasks for SIS. Distribution of individual tasks for TSIS. |
| 2 | Consumers <i>Practice work 1</i> | 2 | 1 | CT2 | SIS 1 TSIS 1 |
| 3 | Firms <i>Practice work 2</i> | 2 | 1 | CT3 | SIS 2 TSIS 2 |
| 4 | Competition, Equilibrium and Efficiency <i>Practice work 3</i> | 2 | 1 | CT4 | SIS 3 TSIS 3 |
| 5 | Monopoly and Regulation <i>Practice work 4</i> | 2 | 1 | CT5 | SIS 4 TSIS 4 |
| 6 | Price Discrimination <i>Practice work 5</i> | 2 | 1 | CT6 | SIS 5 TSIS 5 |
| 7 | Games and Information <i>Practice work 6</i> | 2 | 1 | CT7 | SIS 6 TSIS 6 |
| 8 | Revision, Practice MID-TERM EXAM | 2 | 1 | Covers CT1-6 | - - |
| 9 | Oligopoly <i>Practice work 7</i> | 2 | 1 | CT8 | SIS 7 TSIS 7 |
| 10 | Collusion and Price Wars <i>Practice work 8</i> | 2 | 1 | CT9 | SIS 8 TSIS 8 |
| 11 | Market Power <i>Practice work 9</i> | 2 | 1 | CT10 | SIS 9 TSIS 9 |
| 12 | Entry and Market Structure <i>Practice work 10</i> | 2 | 1 | CT11 | SIS 10 TSIS 11 |
| 13 | Mergers. Market Foreclosure <i>Practice work 11</i> | 2 | 1 | CT12-13 | SIS 11 TSIS 12 |
| 14 | Group projects and presentations <i>Practice work 12</i> | 2 | 1 | - | SIS 12 TSIS 13 |
| 15 | Group projects and presentations | 2 | 1 | - | - - |
| 16 17 | FINAL EXAM | 2 | | Covers CT7-13 | |

COURSE POLICY AND GRADING CRITERIA

PRACTICE

| Week | Practice (Analytical Questions, MCQ's, Discussion) | Grade Points |
|------|--|--------------|
| 1 | Introduction to Industrial Organization | - |
| 2 | Consumers | 1.25 |
| 3 | Firms | 1.25 |
| 4 | Competition, Equilibrium and Efficiency | 1.25 |
| 5 | Monopoly and Regulation | 1.25 |
| 6 | Price Discrimination | 1.25 |
| 7 | Games and Information | 1.25 |
| 8 | MID-TERM EXAM | |
| 9 | Oligopoly | 1.25 |
| 10 | Collusion and Price Wars | 1.25 |
| 11 | Market Power | 1.25 |
| 12 | Entry and Market Structure | 1.25 |
| 13 | Mergers. Market Foreclosure | 1.25 |
| 14 | Group projects and presentations | 1.25 |
| 15 | Group projects and presentations | |
| | Total | 15 |

STUDENTS SELF-STUDY WITH INSTRUCTOR (TSIS)

| Week | TSIS (Teachers Supervised Independent Study) | Grade(in points) |
|------|--|------------------|
| 1 | | |
| 2 | | |
| 3 | Consultancy on group projects | |
| 4 | Consultancy on group projects | |
| 5 | Consultancy on group projects | |
| 6 | Consultancy on group projects | |
| 7 | Consultancy on group projects | |
| 8 | MID-TERM EXAM | |
| 9 | Supervising on group projects | 3.0 |
| 10 | Supervising on group projects | 3.0 |
| 11 | Supervising on group projects | 3.0 |
| 12 | Supervising on group projects | 3.0 |
| 13 | Supervising on group projects | 3.0 |
| 14 | Presentations and defense of group projects | |
| 15 | Presentations and defense of group projects | |
| | TOTAL | 15 |

STUDENTS INDEPENDENT STUDY (SIS)

| Week | SIS (Students Independent Study) | Grade(in points) |
|--------------|--|------------------|
| 1 | | - |
| 2 | Chapter Summary: Introduction to Industrial Organization | 1.25 |
| 3 | Chapter Summary: Consumers | 1.25 |
| 4 | Chapter Summary: Firms | 1.25 |
| 5 | Chapter Summary: Competition, Equilibrium and Efficiency | 1.25 |
| 6 | Chapter Summary: Monopoly and Regulation | 1.25 |
| 7 | Chapter Summary: Price Discrimination | 1.25 |
| 8 | MID-TERM EXAM | |
| 9 | Chapter Summary: Games and Information | 1.25 |
| 10 | Chapter Summary: Oligopoly | 1.25 |
| 11 | Chapter Summary: Collusion and Price Wars | 1.25 |
| 12 | Chapter Summary: Market Power | 1.25 |
| 13 | Chapter Summary: Entry and Market Structure | 1.25 |
| 14 | Chapter Summary: Mergers. Market Foreclosure | 1.25 |
| 15 | | - |
| TOTAL | | 15.0 |

GRADING CRITERIA

| № | Assessment criteria | Weeks | | | | | | | | | | | | | | | | Final scores |
|---|----------------------------|-------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----------|--------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 17 | |
| 1 | Attendance / Participation | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | 15% |
| 2 | SIS | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | 15% |
| 3 | TSIS | | | | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | | 15% |
| 4 | Mid-Term | | | | | | | | ✓ | | | | | | | | | 15% |
| 6 | Final Exam | | | | | | | | | | | | | | | ✓ | ✓ | 40% |
| | Total: | | | | | | | | | | | | | | | | | 100% |

LECTURES

Class sessions involve a variety of teaching techniques. Much of the time will be dedicated to lecture and class discussion of materials related to assigned reading. Topics will be delivered in an illustrative interactive manner with PowerPoint slides to help better understand the textbook. These presentations will be integrated with classroom discussions encouraging active learning. All students are expected to read and understand the chapters ahead of lectures; so that everyone can participate during interactive discussions. Readings consist of relevant chapters in the text books, assigned articles, PowerPoint lecture slides, and further articles on the L-Drive. Case analysis, problem solving, real case applications will be offered to improve learning process.

PRACTICE WORK

Practical exercises aim to develop firm understanding of tools and practices of managerial economics. Based on the use of active teaching methods like case studies, problem solving and business cases through interactive discussions, MCQ's and analytic problem solving students are urged to properly prepare and actively participate.

GROUP PROJECT (TSIS)

Teams of 2-3 students will work together to prepare group project and write comprehensive written report on that project (15-20 pages; 1.5 space, Times New Roman) with a cover page according to provided standards. The project report should be submitted (handed over or e-mailed) according to class schedule, but no later than a week before the presentation date.

Reports will be evaluated along the following criteria:

- ✓ Quality of the writing - clear, straight, and correct style and grammar;
- ✓ Quality of the structure and organization; smooth, logical flow of content;
- ✓ Quality and amount of reflection, analysis, comparison, and evaluation;
- ✓ Proper use of literature.

Projects will wrap up with the oral presentation and defense lasting twenty minutes. Use of PowerPoint along with any other appropriate technology is expected. Be creative when preparing and making your presentation. Avoid reading your paper in class. Concentrate on the main points. Defense of group project determines the level of theoretical knowledge and practical skills of the group members. Student must summarize the contents of the paper, give satisfactory answers to questions. Once the teams are formed, each team will receive a number. While submitting teamwork reports for checking and grading, please include the following information on the cover page (see a template below) to assure proper credit:

- ✓ Team number
- ✓ ID of all students in the team with their last and first names, and mail addresses
- ✓ Title of the study
- ✓ Course name (Managerial Economics)

The dates of defense are 13th, 14th and 15th weeks. Assessment of group projects will be counted as an oral portion of the final examination (50% - 20 grade points)..

HOME-WORKS (SIS)

Chapter summaries will be assigned to enhance students' comprehension of lectured concepts and techniques. You may discuss assignments with others, but you must write up summaries personally (hand-written) by yourself with the full understanding of what you write. Students handing in identical assignments will be violating university regulations and will not receive credit! Late home-works are not allowed unless you negotiate with the instructor at least one day in advance.

MID-TERM EXAM

Mid-Term appraisal is evaluation of the students' academic achievements over first seven weeks of the semester. Mid-Term Exams are based on topics of all accumulated lectures, practice works, SIS, TSIS and materials for reading discussed up to the time of assessment.

Maximum number of points with attendance, activity, SIS, TSIS and practice for each attestation is 30 points: 20 points Mid-Term, 10 points for the rest.

ATTENDANCE/PARTICIPATION

The class participation grade is earned via unflinching presence in class and consistent contribution to class discussions. You should, therefore, make conscientious efforts to be sufficiently prepared to the class discussions. The responsibility for making the learning process succeed is yours. The faculty requires students to attend at minimum 80% of the scheduled class sessions. Attendance that is less than this requirement will make you not eligible for obtaining the grade.

FINAL EXAM

Final examination is evaluation of the students' academic achievements, conducted after the completion of the course. It covers all delivered course materials and it is conducted in the form of oral exam (presentation of the project) and MCQ's and/or problems. Duration of the final exam is 90 min. Maximum number of points is 40: project presentation – 20, written exam – 20 points). At the end of semester students receive overall total grade (accumulated points for accomplishments during semester) according to conventional KBTU grade scale.

GRADING SCALE

Letter grades for the course follow the same standards as specified in the Catalog. See the following table for grading scale:

| Grading Letters | System Numerical Equivalent | Percentage |
|-----------------|-----------------------------|------------|
| A | 4.00 | 96 – 100 |
| A- | 3.67 | 91 – 95 |
| B+ | 3.33 | 86 – 90 |
| B | 3.00 | 81 – 85 |
| B- | 2.67 | 76 – 80 |
| C+ | 2.33 | 71 – 75 |
| C | 2.00 | 66 – 70 |
| C- | 1.67 | 61 – 65 |
| D+ | 1.33 | 56 – 60 |
| D | 1.00 | 51 – 55 |
| F | 0 | 0 - 50 |

ACADEMIC POLICY

STUDENTS ARE REQUIRED:

- ✓ to be respectful to the teacher and other students;
- ✓ to switch off mobile phones during classes;
- ✓ not to cheat. Plagiarized papers shall not be graded;
- ✓ to meet the deadlines;
- ✓ to come to classes prepared and actively participate in classroom work;
- ✓ to enter the room before the teacher starts the lesson;
- ✓ to attend all classes. No make-up tests are allowed unless there is a valid reason for missing them;
- ✓ to follow KBTU academic policy regarding W, AW, I, F grades.

STUDENTS ARE ENCOURAGED TO:

- ✓ consult the teacher on any issues related to the course;
- ✓ make up within a week's time for the works undone for a valid reason without any grade deductions;
- ✓ make any proposals on improvement of the academic process;
- ✓ track down their continuous rating throughout the semester.

Associate Professor of Economics

Alex Mosesov

Chair of the Department of Economics & Management

Leila N. Salykova

Approved by the Meeting of the Economic and Management Department

Minutes # 1 January 13, 2014