

**Chinese University of Hong Kong  
Department of Economics**

**ECON 3480: Industrial Organization  
2017 First Term**

**Course Syllabus**

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Course Description: This course examines how the performance of an industry is related to its structure, with special emphasis on competition policy. Greed generates a tremendous amount of good through the force of competition. However, greed also leads firms to try to collude, exclude competitors, and restrain competition. One general lesson from the study of market competition is that competition occurs at many levels: when competition is restricted at one level or in one dimension, firms and individuals will have an incentive to compete at other levels or along other dimensions. We will use price theory, also known as the Chicago-style approach, to analyze a wide range of pricing strategies and vertical restrictions. Unlike other methods such as game theory, price theory focuses on a few implications that the theory has about the data, and then tries to test them in a simple way. We will also compare some of the implications from price theory with those from game theory analysis. A better understanding of various business practices is essential for evaluating competition policies that are designed to improve efficiency and consumer welfare.

Grading: There will be 3-4 problem sets, one midterm and one final exam, and one group project. Problem set will count for 10%, each exam will count 30%, and the project will each count for the remaining 30% of the final grade.

Course Materials: There is no text book for this course. Class notes and assigned readings will be posted. A useful reference is *Modern Industrial Organization* by Dennis Carlton and Jeffrey Perloff.

Course Outline:

Topic 1: The Chicago Price Theory: Competition and Monopoly

Topic 2: Aaron Director's Influence on Antitrust Policy (Predatory Pricing, Resale Price Maintenance, and Tie-in Sales)

Topic 3: Empirical Studies on Monopoly and Competition Policy

Topic 4: Public Choice Perspective on Antitrust Regulations

### Honesty in Academic Work:

Please visit the following website for details of university policy on Honesty in Academic Work: <http://www.cuhk.edu.hk/policy/academichonesty/>. Each assignment must be submitted together with a signed declaration of originality.

I declare that the assignment here submitted is original except for source material explicitly acknowledged, and that the same or closely related material has not been previously submitted for same or different courses. I also acknowledge that I am aware of University policy and regulations on honesty in academic work, and of the disciplinary guidelines and procedures applicable to breaches of such policy and regulations, as contained in the website <http://www.cuhk.edu.hk/policy/academichonesty/>.

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