



DEPARTMENT OF ECONOMICS

**ECON 407:
Industrial organization and competition policy in the digital age
&
Landmarks in Experimental Economics**

Semester 2 (20 points), 2021

This course is divided into two sections:

Section 1 – Industrial organization and competition policy in the digital age

Section 2 – Landmarks in experimental economics

Section 1 (weeks 1-6):

Lecturer

Peter Gibbard

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My office hours will be announced in the first lecture. If you are unable to meet me then, feel free to ask questions via email, or to arrange an alternative time to meet.

Learning aims and objectives

A principal responsibility of the New Zealand Commerce Commission (NZCC) is to implement competition policy, which aims to protect and foster competition in the New Zealand economy. Section 1 of ECON 407 will provide students with economic models to analyse some of the key concepts used by a competition authority such as the NZCC, including ‘market power’, ‘barriers to entry’, ‘the abuse of market power’ and ‘harm to competition’. The past few decades have seen the growth of large digital platforms, such as Google and Facebook, which are now among the largest companies in the world. Such businesses have created new challenges for competition policy, including how to assess their market power and the barriers to entry in such markets. This course will introduce some of the concepts used to analyse such businesses, including the recent literature on ‘network effects’ and ‘two-sided platforms’.

In summary, the objectives of Section 1 of ECON 407 are threefold: (1) to enable students to apply basic models of imperfect competition – such as Bertrand, Cournot and Stackelberg

models – to analyse real-world problems; (2) to provide students with an understanding of some key issues in competition policy; and (3) to introduce students to recent debates about the challenges to competition policy arising from the growth of large digital platforms, such as Google and Facebook.

Attendance in lectures is mandatory, as is student participation in discussions.

Assignments

You will be required to complete two assignments for Section 1 of ECON 407. These assignments will cover two types of questions. The first type will ask you to solve economic models of imperfect competition. The second type will ask you to provide the kind of economic analysis of real-world competition issues that you might be required to provide if you were working for the NZCC or an economic consultancy.

Readings

The main textbook is:

Belleflamme, Paul and Martin Peitz (2015), *Industrial Organization: Markets and Strategies*, 2nd ed., Cambridge University Press.

A variety of other readings will be assigned, as will be specified on Blackboard. Many of these readings come from the following two texts.

Tirole, Jean (1988), *The Theory of Industrial Organization*, MIT Press.

Viscusi, W. Kip, Joseph Harrington and David Sappington (2018), *Economics of Regulation and Antitrust*, 5th ed., MIT Press.

Section 2 (weeks 7-13)

Lecturer

Daniel Neururer

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I have no fixed office hours because I'm currently not in NZ (due to the COVID-19 travel restrictions). Drop me an email with your questions at any time; alternatively arrange a virtual meeting by email.

Learning aims and objectives

The objective of the Landmarks in Experimental Economics section of ECON407 is to promote an understanding of experimental methods and core findings by discussing a selection of landmark papers. Attendance in lectures is mandatory. Students will be expected to do the assigned reading and to submit 2-3 "thought questions" relating to the reading before each lecture, and to participate actively in the class discussion. In addition, each student will also be required to hand in a short proposal that suggests a potential extension of an existing experimental design.

Thought Questions

The basic idea behind the thought questions is to promote a lively discussion during the lectures and to give students the chance to state and discuss critical questions/thought-provoking comments. The 2-3 thought questions should be formulated by each student independently and handed in three hours before each lecture starts at the latest.

Short Proposal

Each student is expected to choose one paper and write a short proposal (2000 words) about a possible extension of this paper. The proposal should be structured as follows: Start with a summary of the main argument of the paper. Next, formulate a research question that is addressed with the possible extension and argue why this is interesting. Then, describe the experimental design of the extension in detail. The deadline for handing in the proposal will be announced.

Readings

Readings for this course will be published journal articles. All readings can be accessed online. No textbooks are required. For interested students with ambitions in the field of experimental economics I can suggest the following books for further reading:

Jacquemet, N., and L'Haridon, O. (2018). *Experimental Economics: Method and Applications*. Cambridge University Press. DOI: 10.1017/9781107446786

Bardsley, N., Cubitt, R., Loomes, G., Moffatt, P., Starmer, C. and Sugden, R. (2009). *Experimental Economics: Rethinking the Rules*. Princeton University Press.

Kagel, J. H., and Roth, A. E. , editors (2015). The Handbook of Experimental Economics, Volume 2. Princeton University Press.

Kagel, J. H., and Roth, A. E. , editors (1995). The Handbook of Experimental Economics. Princeton University Press.

Moffat, P. G., (2015). Experimetrics: Econometrics for Experimental Economics. Red Globe Press.

Provisional Weekly Schedule

We will discuss only one paper in each lecture. You must read the paper and hand in the thought questions before attending the respective lecture. You can find all the papers on the course page on Blackboard. The list of papers will be announced closer to the start of section 2 of the course.

Assessment

Class Participation I	10%	(Peter)
Two Assignments	40%	(Peter)
Class participation II	30%	(Daniel)
Proposal	20%	(Daniel)

Plussage does not apply. Dates and details to be advised in class.