AMBO University, WOLISO CAMPUS

COLLEGE OF BUSINESS AND ECONOMICS

Department of Economics

**Course Name: Economics of Industry**

**Course Code: Econ3102**

Total Credit: 3ch.R (4 Ects)

***Course Instructor:*** Abdi T. (Msc. In Economics)

**COURSE DESCRIPTION**

Industrial Economics is the study of firms, industries and markets. It looks at firms of all sizes - from local corner shops to multinational giants and` it considers a whole range of industries, such as textile, electricity generation, car production and restaurants etc...When analyzing decision making at the levels of the individual firm and industry, Industrial Economics helps us understand such issues as:

 the levels at which capacity, output and prices are set;

 the extent that products are differentiated from each other;

 how much firms invest in research and development (R&D)

 how and why firms advertise

**COURSE OBJECTIVES**

At the end of this course, the student will be able to:

 Familiar with different theories of firms, and how the firm grows according to different theories.

 Develop skills to measures of market power/ market performance/ with empirical work.

 Distinguish different pricing strategies and its effects on the structure and performance of firms.

 Understand patent protection, research and the rate of technological advance

 Appreciate and be able to explain industrial policy which comprises the need for industrialization, state or private control, monopoly and mergers policy and promoting small industries.

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| **Week** | **Lecture (hrs)** | **Topics of the title** | **Reference material** |
| **Chapter One: Introduction** |
| 1Week | 3Hours | 1.1. Definition1.2. Approaches to Industrial Economics1.2.1.The structure –conduct-performance paradigm1.2.2. The Chicago school of Thought1.2.3. Institutional Economics | Barthwal , Chapters.1, page 2-6, chapter 4 page 49-70Barthwal , chapter 4, page 49-70, and Carlton, D.W. and J.M. Perloff, Chapters. 1§9 page 2 -10, 331-369 |
| **Chapter Two: The Theory of the Firms** |
| **3Week** | 9 Hours | 2.1. The Life Cycle of Firm2.2. Modern Theories of Firm2.2.1. Managerial Theory of Firm2.2.2. Principal Agent Theory2.2.3. Transaction Cost Theory | Barthwal , Chapters.3, page 27-47 |
| 2.3. The Growth of Firm2.3.1. Downie’s Theory2.3.2. Penrose’s Theory2.3.3. Mari’s Theory | Barthwal , Chapters.15, page 343-359 |
| **Chapter Three: Market Concentration** |

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| **3weeks** | 9hours | 3.1. Nature of Concentration3.2. Theory of Concentration3.3. Measures of Concentration3.3.1. Concentration Ratio3.3.2. The Hirschman-Herfindahi Index3.3.3. The Entropy Index3.3.4. The Dispersion method3.3.5 The Learner Index3.3.6. The determinants of concentration |  |
| **Chapter Four: Industrial Location Analysis** |
| **1 week** | 3 hours | 4.1. Determinants of Industrial Location4.2. Approaches to Industrial Location Analysis | R.R.BarthwalPage.No.361-380 |
| **Chapter Five: Analysis of Firm Structure** |
| **2 week** | 6 hours | 5.1. Organization, Structure, Ownership and control ofFirm5.2. Goal and Objective of Firm5.3. Legal Forms of Business5.4. Measurement of Market Performance and MarketStructure. | R.stead,P.Curwenand K.LawlerPage No.64-81 |
| **Chapter Six: Diversification, Integration and Merger** |
| **3 week** | 9 hours | 6.1. Vertical Integration and Vertical Restrictions6.2. Vertical Relationship as a solution to EconomicProblems6.3. The reasons for and against vertical Integration6.4. Merger and Takeover (Motives for Merger)6.5. The effects of Merger on Competition and Welfare | R.R.BarthwalPage.No.169-187 |
| **Chapter Seven: Advertisement** |
| **1 week** | 3 hours | 7.1. Information and Advertisement7.2. The Social benefit and cost of Advertising. | Dr.K.G.GUPTA(Business Economics) Page.No.B51-B64 |

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| **Chapter Eight: Technological Progress** |
| **1 week** | 3 hours | 8.1. Stages of Technological change8.2. Invention, Innovation and Diffusion | R.R.BarthwalPage.No188-210 |
| **Chapter Nine: Industrial policy** |
| **1 week** | 3 hours | 9.1. Government Intervention9.2. Review of Focuses of the Ethiopian Industrial Policy |  |

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