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. Definition  1.2. Approaches to Industrial Economics  1.2.1.The structure –conduct-performance paradigm  1.2.2. The Chicago school of Thought  1.2.3. Institutional Economics | Barthwal , Chapters.  1, page 2-6, chapter 4 page 49-70  Barthwal , 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 Firm  2.2. Modern Theories of Firm  2.2.1. Managerial Theory of Firm  2.2.2. Principal Agent Theory  2.2.3. Transaction Cost Theory | Barthwal , Chapters.  3, page 27-47 |
| 2.3. The Growth of Firm  2.3.1. Downie’s Theory  2.3.2. Penrose’s Theory  2.3.3. Mari’s Theory | Barthwal , Chapters.  15, page 343-359 |
| **Chapter Three: Market Concentration** | | | |

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| **3weeks** | 9hours | 3.1. Nature of Concentration  3.2. Theory of Concentration  3.3. Measures of Concentration  3.3.1. Concentration Ratio  3.3.2. The Hirschman-Herfindahi Index  3.3.3. The Entropy Index  3.3.4. The Dispersion method  3.3.5 The Learner Index  3.3.6. The determinants of concentration |  |
| **Chapter Four: Industrial Location Analysis** | | | |
| **1 week** | 3 hours | 4.1. Determinants of Industrial Location  4.2. Approaches to Industrial Location Analysis | R.R.Barthwal  Page.No.361-380 |
| **Chapter Five: Analysis of Firm Structure** | | | |
| **2 week** | 6 hours | 5.1. Organization, Structure, Ownership and control of  Firm  5.2. Goal and Objective of Firm  5.3. Legal Forms of Business  5.4. Measurement of Market Performance and Market  Structure. | R.stead,P.Curwen  and K.Lawler  Page No.64-81 |
| **Chapter Six: Diversification, Integration and Merger** | | | |
| **3 week** | 9 hours | 6.1. Vertical Integration and Vertical Restrictions  6.2. Vertical Relationship as a solution to Economic  Problems  6.3. The reasons for and against vertical Integration  6.4. Merger and Takeover (Motives for Merger)  6.5. The effects of Merger on Competition and Welfare | R.R.Barthwal  Page.No.169-187 |
| **Chapter Seven: Advertisement** | | | |
| **1 week** | 3 hours | 7.1. Information and Advertisement  7.2. 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 change  8.2. Invention, Innovation and Diffusion | R.R.Barthwal  Page.No188-210 |
| **Chapter Nine: Industrial policy** | | | |
| **1 week** | 3 hours | 9.1. Government Intervention  9.2. Review of Focuses of the Ethiopian Industrial Policy |  |

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