

University of Northumbria  
Newcastle Business School

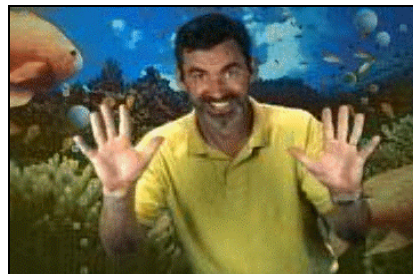
Division of Economics and Resource Management

EC455 ECONOMICS OF EUROPEAN INDUSTRY

SEMESTER 2  
2003

UNIT OUTLINE

Unit Tutor: Kevin Hinde  
Room: NB403  
Tel: 2273936  
eMail: [kevin.hinde@unn.ac.uk](mailto:kevin.hinde@unn.ac.uk)  
Click: <http://www.kevinhinde.com>



**Unit Code / Title**

EC455: ECONOMICS OF EUROPEAN INDUSTRY

**Introduction**

Welcome to this unit which I hope you will enjoy! Throughout the semester we will explore a whole range of competition issues relating to the European Market. I will provide some theoretical tools and we will examine some empirical and topical case studies. As part of your assessment you will be asked to evaluate competition issues in a particular sector. Examples might include

- The Office of Fair Trading's decision to fine Napp Pharmaceuticals for predatory pricing.
- The Court of First Instance ruling to overthrow the European Commission's judgement on three recent merger decisions.

Though, of course, you could examine a whole range of other issues including the implications of the privatisation and regulation of Europe's public utilities, or the effects of EU Industrial policy. Please see me for advice.

I intend to break the unit into 4 themes.

***An introduction to the economics of European Industry***

In this introductory section we will examine competing perspectives in industrial organisation and discover material relating to the structure of European Industry. This section will also require knowledge of how the internet can be used as a tool for examining the economics of European Industry. We will hold an internet session where you will be introduced to material relevant for assessment 1.

***Oligopoly Models***

Here we examine models of oligopoly in some depth. There will be extensions to Cournot and an examination of Bertrand. We will also look at Dominant Firm models. We will examine some EC case law in this field.

***Oligopoly and Business Practices***

In this section of the unit we will examine the economic consequences of Collusion, Vertical Restraints, Entry Deterrence and Predatory Behaviour.

This part of the course will use case studies and analysis of competition policy to assess anti competitive practices on economic welfare.

***Public Policy***

We will examine competition policy, privatisation and regulation and mergers and strategic alliances.

## Lecture/Seminar /Workshop Schedule

This course consists of 12 lectures and 2 seminars and 4 workshops. Lectures will be PowerPoint presentations and will embrace some case study material. They will be part didactic but also require participation from you. Two workshops will take place in the computer lab and the other two will relate to a current issue in competition policy. The seminars are questions of significance in this field. I will allocate some prior reading to all of you (including case material) and want all of you to participate in the discussion that ensues.

Week	Lecture	Seminar/ Workshop
1	Unit Introduction. Introduction to the Economics of European Industry  Key Reading:  Lypczynski J and Wilson J (2001) chapters. 1 and 4; Martin S (2001) chapter 1	Workshop: Internet Sources and Formative Assessment
2	Monopoly and Welfare  Key Reading:  Lypczynski J and Wilson J (2001) chapter 6	
3 & 4	Classical Oligopoly Models and Welfare  Key Reading:  Lypczynski J and Wilson J (2001) chapter 2 Martin S (2001) chapter 2	Seminar: To what extent should competition authorities be concerned about the welfare impact of market power?
5	Horizontal Cartels  Key Reading:  Lypczynski J and Wilson J (2001) chapter 3; Martin S (2001) chapter 3	Lab based Workshop: Competition Policy in Action - Cartels
6	Vertical Relationships  Key Reading:  Lypczynski J and Wilson J (2001) chapters 9 and 10;	

7	<p><b>Barriers to Entry</b></p> <p>Key Reading:</p> <p>Lypczynski J and Wilson J (2001) chapter 5; Martin S (2001) chapter 4</p>	<p>Workshop: Initial work on Distribution of New Motor Vehicles in the EU.</p>
8	<p><b>Predatory Pricing</b></p> <p>Key Reading:</p> <p>Martin S (2001) chapter 9 section 9.4</p>	
9	<p><b>UK and EU Competition Policy</b></p> <p>Key Reading:</p> <p>Lypczynski J and Wilson J (2001) chapter 11;</p>	<p>Workshop: Presentations and discussion on Distribution of New Motor Vehicles in the EU.</p>
10	<p><b>Mergers and Alliances in the EU</b></p> <p>Key Reading:</p> <p>Lypczynski J and Wilson J (2001) chapter 10 Martin S (2001) chapter 6 pps.128 to 136.</p>	<p>Seminar: Critically examine whether the privatisation of Europe's Network Industries will improve economic welfare.</p>
11	<p><b>Privatisation in the EU</b></p> <p>Key Reading:</p> <p>Lypczynski J and Wilson J (2001) chapter 12;</p> <p><b>Assessment 1: Case Study</b></p>	
<b>Easter Break</b>		
12	<p><b>Market Integration</b></p> <p>Key Reading:</p> <p>Martin S (2001) chapter 10</p>	
13-15	<b>Assessment 2: One hour Essay test</b>	

**Reading list (\*\* = Recommended Text; \* = Key supplementary reading)**

Clarke, R. (1985) *Industrial Economics*, Basil Blackwell, Oxford.

Cowling K and Waterson M (1976) Price cost margins and market structure, *Economica*, 43, pp. 267 – 274.

Cowling K, Yusof FM, and Vernon G (2000) Declining Concentration in UK Manufacturing? A problem of measurement, *International Review of Applied Economics*, Vol 14, No. 1

Davies S and Lyons B with Dixon H and Geroski P (1991) *Economics of Industrial Organisation*, Longman, Harlow.

Davies S and Lyons B (1996) *Industrial Organisation in the European Union. Structure, strategy and the competitive mechanism*, Clarendon Press, Oxford.

Doyle M (1998) Liberalising Europe's Network Industries: Ten Conflicting Priorities, *Business Strategy Review*, 1998, Vol. 9, Issue 3, pp. 55-66.

European Commission (various) *Annual Report on EC Competition Policy*, published by DGIV. Available at [http://europa.eu.int/comm/competition/annual\\_reports/](http://europa.eu.int/comm/competition/annual_reports/)

European Commission (various) EC Competition Policy Newsletter (Quarterly Publication), published by DG IV Competition. Available at <http://europa.eu.int/comm/competition/publications/cpn/>

European Commission (various) *European Economy. European Trends. Supplement A*, (Notably those on Mergers and Acquisitions) published by DGII Economy and Finance. Available at [http://europa.eu.int/comm/economy\\_finance/document/eesuppa/eeaidxen.htm](http://europa.eu.int/comm/economy_finance/document/eesuppa/eeaidxen.htm)

Farrands C and Totterdill P (1993) A Rationale for the appropriate level of regulation in the European Community, in Sugden R ed., *Industrial Economic Regulation. A framework and exploration*, Routledge, London.

Ferguson, P.R. & Ferguson G.J (1994) *Industrial Economics: Issues and Perspectives*, Macmillan, London.

Hay, D.A. & Morris, D.J. (1991) *Industrial Economics and Organisation*, 2nd edition, Oxford University Press, Oxford.

Hines J R Jnr. (1999) Three sides of Harberger Triangles, *Journal of Economic Perspectives*, Vol. 13, No.2 pp. 167 – 188.

Jacobsen D & Andréosso-O'Callaghan B (1996) *Industrial Economics and Organisation, A European Perspective*, McGraw Hill, London.

Jenkinson T editor (1996) *Readings in Microeconomics*, Oxford University Press, Oxford.

Kirzner I M (1997) *How Markets Work: Disequilibrium, Entrepreneurship and Discovery*, IEA Hobart Paper No. 133, IEA, London.

\*\*Lypczynski J and Wilson J (2001) *Industrial Organisation. An Analysis of Competitive Markets*, Financial Times-Prentice Hall, London.

Majone G (1990) *Deregulation or re-regulation? Regulatory reform in Europe and the United*, Pinter, London.

Martin S (1993) *Industrial Economics. Economic Analysis and Public Policy*, 2nd edition, Macmillan, London.

Martin S editor (1998) *Competition Policies in Europe*, Elsevier North Holland, London.

\*Martin S (2001) *Industrial Organisation. A European Perspective*, Oxford University Press, Oxford

Neven, D J.(1998)- *Trawling for minnows : European competition policy and agreements between firms*, Centre for Economic Policy Research. London

Shepherd,W.G. (1990) *The Economics of Industrial Organisation*, Prentice Hall International, London

Stead R, Curwen P, and Lawler K (1996) *Industrial Economics. Theory, Applications and Policy*, McGraw Hill, London

Stigler G (1968) *The Organisation of Industry*, Richard Irwin, Homewood, Illinois.

Tirole J (1990) *The Theory of Industrial Organisation*, MIT Press, London.

Waldman DE and Jensen EJ (1998) *Industrial Organisation. Theory and Practice*, Addison-Wesley Longman, Harlow.

Waterson M (1984) *Economic Theory of the Industry*, Cambridge University Press, Cambridge.

### Assessment Summary

Part		%	Week
A	Case Study	50	11
B	Closed Book Test	50	13 - 15

**Format of examination**

1 Hour duration

**Assignment Information**

<b>Assignment title</b>	Using Competition Commission, Office of Fair Trading, European Commission DGIV, or other relevant sources critically examine the competition issues associated with an on going or recently completed investigation into an industry of your choice.
<b>Maximum word limit</b>	1500 words (excluding bibliography and statistical tables but including footnotes and appendices).
<b>Submission deadline</b>	Friday 11 <sup>th</sup> April 2001

**Assessment criteria**

Assessments will be marked in accordance with the following criteria:

	<b>Essential</b>	<b>Non essential</b>
<b>Evidence of background reading</b>	✓	
<b>Relevance of material to the question posed</b>	✓	
<b>Appropriate depth of analysis</b>	✓	
<b>Structure and Organisation</b>	✓	
<b>Use of supporting data</b>	✓	
<b>Use of diagrams / illustrative material</b>	✓	
<b>Use of referencing system and bibliography*</b>	✓	
<b>Use of case study material</b>	✓	

***Overall presentation will also be taken into account.***

**Please note**

- that referencing should be in accordance with the Harvard (author date ) System. Detailed guidelines to the Harvard System have been included in course handbooks for all courses administered by the Division of Economics. Copies of the Guide to Referencing are available from the

Undergraduate Programmes Office (Room 219, Northumberland Building).  
***A failure to reference correctly will impact negatively upon your mark.***

- ***that it is not acceptable to submit work in excess of the word limit.*** Such work is unlikely to be marked. A mark of 1% could be recorded and carried forward to the level average on which your progression/award is determined.

### **Submission arrangements**

Assignments should be handed in to the Newcastle Business School Reception in accordance with the above deadline at the following times:

#### **Term-time**

<b>Monday-Thursday</b>	<b>8.30-18.30</b>
<b>Friday</b>	<b>8.30-16.30</b>

#### **Outside Term-time**

<b>Monday-Thursday</b>	<b>8.30-17.30</b>
<b>Friday</b>	<b>8.30-16.30</b>

Assignments must be handed in together with a multi-part assignment cover sheet whether or not you are submitting the assignment personally. This will be stamped, signed and dated by a member of the administrative staff and the bottom part will be returned to you immediately. You should retain this as it represents your proof that the assignment has been submitted. Assignment cover sheets are obtainable from the Newcastle Business School Reception.

Your signature on the cover sheet will confirm:

- a) the word count for your submitted piece of work;
- b) that referencing is in accordance with the Harvard System (see Guide to Referencing ); **and**
- c) that the work submitted is your own.

Please note that

- ***Other than in exceptional circumstances and with the prior agreement of the Module Tutor or Programme Leader, the submission of assignments by fax or by e-mail is not acceptable.***
- ***Unless an extension of the assignment deadline has been granted by either your Programme Director or Programme Leader, a zero mark will be applied to any work submitted after the agreed deadline.***