

**Department:** Economics and Finance

**Course Name:** Industrial Economics **Course No.:** ECON 647

**Prerequisite:** N/A **Credit Hours:** 3

### Brief Description:

This course discusses the behavior of industry in terms of its economic dimensions and explains theoretical as well its applied dimensions. The objective of the course is to equip students with both theoretical and analytical skills which help them in understanding the subject effectively. The focus of this course is on the discussion of theoretical development of economics especially with reference to its industrial sector. However, challenges related to new industrial policies which are not only unique to Industrial Economics but also related to other branches of economics like managerial and development economics. This module covers a variety of theories which relate to industrial economics, i.e. Theory of firm, investment decision, vertically related markets and competition policy, product market differentiation and imperfect information, technical change and market structure, and the current state of Industrial sector in Saudi Arabia.

### Course Objectives:

After completion of this course the student will be able to:

- Demonstrate a critical understanding of the subject
- Recognize the strength and weaknesses of the major development in the industrial economics
- Analyze Industrial Economics as a unique field of economics and related economic policies.
- Evaluate theoretical aspects of the subject and its relation with its practical state.
- Compare the Industrial Economics and other branches of Economics.
- Criticize the behavior Market and Non-market economic sector

### Course Topics:

- **Introduction:** Definition, Nature and Need
- **Theory of Firm**
- **Investment decisions**
- **Vertical Related Markets and Competition Policy**
- **Product Market Differentiation and Imperfect information**
- **Technical Change and Market Structure:.**
- **Special Topics:**
  - Review of the Industrial policy in Saudi Arabia
  - Writing correspondence and discourses Reports
  - Ethical issues related to the Industrial sector

### Text Book:

- Stephen Martin (2001) Advanced Industrial Economics, 2nd Edition, Oxford, United Kingdom: Wiley-Blackwell.
- R. R. Barthwal (2016) Industrial Economics: An Introductory Text Book, New Delhi, India, New Age International (Revised 3rd Edition)

➤ I. C. Dingra and N. Dingra (2013) Industrial Economics, New Delhi ,India: Book Age.

#### Additional References:

- Paul . R. Ferguson, and Glenys, J. Ferguson (1994) Industrial Economics – Issues and Perspectives, London, UK: Macmillan

#### Online Resources:

- <https://www.tamimi.com/law-update-articles/saudi-arabia-the-competition-law-regime>  
➤ [http://gac.gov.sa/index\\_en.aspx](http://gac.gov.sa/index_en.aspx)  
➤ <http://www.sidf.gov.sa/en/IndustryinSaudiArabia/Pages/IndustrialDevelopmentinSaudiArabia.aspx>

#### Measurement & Assessment Tools:

Objectives			Obj 1.1 &1.2	Obj 2.2	Obj 3.1
Assessment tools	Grade	Week (Time period)	1	2	3
Midterm test	25	9 <sup>th</sup>	✗		
Class work	10	12 <sup>th</sup>			✗
Assignments	15	15 <sup>th</sup>		✗	
Final exam	50	As Dated	✗		
Total	100				
<b>Extra credit</b>					
Not Required					

#### Tentative Course Outline:

Week	Hours	Topics	Readings
1	3	Introduction, and Preliminary Concepts	
2	3	Theory of Firm: Undifferentiated Products – Cournot, Stakelberg, Dominant firm model, Bertrand-Heterogeneous products, Chamberlin's small and large number case	
3	3	Theory of Firm: Kinked Demand curve theory, Bain's Limit pricing, Sales and growth maximization hypothesis, managerial theories of firm, Game theoretical models	
4	3	Investment Decision: Conventional and Modern methods, Risk and Uncertainty, sensitivity analysis, financial statement and ratio analysis	
5	3	Investment Decision: inflation accounting, project appraisal methods, industrial finance, sources of finance, capital structure	
6	3	Investment Decision: incentives, signaling and control arguments, separation of ownership and control	
7	3	Vertical Related Markets and Competition Policy: Successive and mutually related market power, monopoly variable proportions and price discrimination, Monopsony and backward integration	
8	3	Vertical Related Marketand Competition Policy:uncertainty: diversification, rationing and cost economics and asset specificity, internal hierarchies, hierarchies as information systems	
9	3	Vertical Related Market and Competition Policy: incentive structures and internal labor markets, supervision in hierarchies, competition policy, need and requirement, mergers and acquisitions, coordination with other policies	
10	3	Product Market Differentiation and Imperfect information: Lancastrian and Hotelling approaches, representative consumer approach and Chamberlin's model of diversity of tastes, the address approach, competition in address, free entry, pure profit and non-uniqueness in free entry equilibrium	
11	3	Product Market Differentiation and Imperfect information: product diversity and multi address firms, bargains and rip-offs, theory of sales, quality and reputations, product	

		variety, imperfect discrimination and price disparities, advertising, Dorfman Steiner conditions, Lemons and information asymmetries	
12	3	Technical Change and Market Structure: The Economics and Patents, Adoption and diffusion of innovations, innovations and rivalry, Kamien and Schwartz approach, measures of concentration	
13	3	Technical Change and Market Structure: Hirschman and Herfindahl Index, Entropy measure, structure conduct performance paradigm, contestable markets, fixed costs, sunk costs and contestability, Stackelberg-Spence- and Dixit Models	
14	3	Review of Industrial policies of Kingdom of Saudi Arabia	
15	3	Ethical issues related to the Industrial sector in general and particularly to Saudi Arabia's context	
16	3	Revision	

**Approved by Dept. Chair:**

**Date of Approval:**

**Extra Information:** (Updated every semester and filled by course instructor)

**Course Instructor:** Dr \_\_\_\_\_  
**Office No:** \_\_\_\_\_  
**Extension:** \_\_\_\_\_  
**Email:** \_\_\_\_\_  
**Office Hours:** \_\_\_\_\_