

## Industrial Economics

Course Code: UEC000010T

Course Title: Industrial Economics

Semester: III

Credits:3

### Rationale

The course aims to provide a comprehensive understanding of the economic principles and analytical tools essential for comprehending the dynamics of industrial sector. Through the course, students will explore the fundamental concepts of organizational forms, efficiency, and market concentration in the industrial sector. The objective is to equip students with the ability to analyse and evaluate the economic implications of various theories and the industrial practices, including pricing strategies, entry and exit barriers.

### Course Outline

Contents	No. of Lectures
<b>Unit-I Organizational Form, Firm Motives and Industrial Policy</b> Meaning and Scope of Industrial Economics, The Organizational Form of the Firm based on Ownership, The Choice of the Organizational Form, Business Motives of Firm; Profit Maximization; Sales Maximization; Maximization of the Growth of the Firm. Evolution of Industrial Policy in India: Post-independence industrial policies and planning, Economic reforms and liberalization	7
<b>Unit-II Industrial Efficiency</b> Meaning of Industrial Efficiency, Determinants of Economic Efficiency, Measurement of Efficiency Levels, Efficiency and Decision-making Process, Efficiency and the Size of the Firm.	7
<b>Unit III: Market Concentration</b> The Measurement of Market concentration, Characteristics of a good measure of concentration. The Herfindahl Index of concentration, the G-firm concentration ratio, the Entropy Index and the Linda Index, Measures of concentration as Indexes of monopoly power, Concentration and the Market Performance of a Firm.	7
<b>Unit IV: Dynamics of Industry Structure: Entry and Exit conditions</b> The concept of Barriers to Entry. Conditions of Entry: Bain's Classification. Categories of barriers to entry: (i) Absolute cost advantages (ii) Economies of Scale (iii) Product Differentiation advantages. (iv) First Mover Advantages.	7



<p align="center"><b>Unit V: Industrial Location and Alternative Theories of Firm</b></p> <p>The General Determinants of Industrial Location, The Economic Theories of Industrial Location: Weber's Theory, The Market Area theory of Tord Palander, Central Place Theory of Losch.</p> <p>Alternative Theories of Firm: The Transaction Cost Theory, The Property Right Theory, The Agency Theory.</p>	7
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### Course Outcomes

Upon successful completion of the course, candidates will be able to

- Gain insights into the factors influencing the choice of organizational forms.
- Understand and analyse business motives, and develop a clear idea of industrial efficiency.
- Master the various techniques of measuring market concentration.
- Understand the determinants of industrial location and evaluate economic theories related to location.
- Comprehend alternative theories of the firm and their implications for industrial economics.

### Text Books

1. Barthwal, R. R., (2010), *Industrial Economics: An Introductory Textbook*, New Age International Publishers, New Delhi.
2. Pepall, Richards and Norman (2014), *Industrial Organization: Contemporary Theory and Empirical Applications*, John Wiley & Sons, Inc.

### Reference Books

1. Davies, S. (1979), *Choosing between Concentration Indices: The Iso-concentration Curve*, *Economica*, 46, pp: 67-75.
2. Davies, S. (1980), *Minimum Efficient Size and Seller Concentration: An Empirical Problem*, *Journal of Industrial Economics*, 28, pp. 287-301.
3. Dixit, A.K. (1979), *A Model of Duopoly Suggesting a Theory of Entry Barriers*, *Bell Journal*, 10, pp. 20-32.