

Imperfect Competition Syllabus (Romano; Spring 2023)

Instructor: Richard Romano
Office/Hours: Matherly 203/M 2:30-4:00 and by appointment.
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Class Schedule: T,Th 1:55 – 3:50pm

Prerequisites: Micro Theory 1 (ECO7115) or equivalent; Game Theory for Economics (ECO 7404) or equivalent; Mathematical Methods and Applications to Economics (ECO 7408) or equivalent.

Reading: Tirole, J., *The Theory of Industrial Organization*, MIT Press, 1988. **T**

Relevant chapters in the text are listed in the course outline below. Read the chapters before the lectures.

Note on textbook: Tirole's textbook is the definitive work on the basics of imperfect competition. A more recent textbook is P. Belleflamme and M. Peitz, *Industrial Organization: Markets and Strategies*, Cambridge University Press, 2010.

Canvas Website: The Canvas website for the course contains my Course Notes and I will post some other handouts there. You will find these things by going to Files (left menu) and then clicking on the obvious file.

Course Description: The course is intended to develop the basic theoretical results concerning markets with imperfect competition. We cover three central topics. First, we examine the exercise of monopoly power, with attention to several issues (examples being rent seeking and price discrimination). Second, we study vertical relationships between firms, when at least one has market power. Last, we study oligopolistic behavior, examining both static and dynamic models.

Outline and Reading (**T** refers to the Tirole textbook):

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|----|----------------------|---|
| 1. | Classic Monopoly | Introduction (pp. 1-14) T
Chapter 1 (including Supplementary Section 1.5) ¹ T
Sections 2.1 & 2.2 in Chapter 2 T |
| 2. | Price Discrimination | Chapter 3 up to 3.5.1.2 (p. 154) T |
| 3. | Vertical Control | Chapter 4 through 4.5 T |

¹ Note that Chapter 1 in **T** is the "Monopoly" chapter, not the chapter titled "The Theory of the Firm" in the book.

4. Static Oligopoly Chapter 5 (including 5.7) T
5. Dynamic Oligopoly Chapter 6 up to 6.7 T

Grading and Problems: Your course grade will be based on a take-home exam given out early in the week of final exams (week beginning Feb. 20). I will coordinate with the other professors regarding the exact timing. Tirole provides problems throughout the development, coded by one, two, or three stars (with answers). You should attempt/do the one- and two-star problems; of course, try the three stars as you please. I will also provide a couple of problem sets, though these will not be graded.

Professionalism and Honor Code: Students are expected to conduct themselves professionally. Students must be respectful of their peers. As well, the instructor will show students respect and treat them fairly and professionally. UF students are bound to not cheat or plagiarize, and are bound by The Honor Pledge which states, "We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honor and integrity by abiding by the Honor Code. On all work submitted for credit by students at the University of Florida, the following pledge is either required or implied: 'On my honor, I have neither given nor received unauthorized aid in doing this assignment.'" More details on the Honor Code, including sanctions for violations, can be found at:

<http://gradcatalog.ufl.edu/content.php?catoid=8&navoid=1493#student-honor-code>

Recording Lectures: (The language that follows is from university guidelines. I am required to put this on my symmabus.) Students are allowed to record video or audio of class lectures. However, the purposes for which these recordings may be used are strictly controlled. The only allowable purposes are (1) for personal educational use, (2) in connection with a complaint to the university, or (3) as evidence in, or in preparation for, a criminal or civil proceeding. All other purposes are prohibited. Specifically, students may not publish recorded lectures without the written consent of the instructor.

A "class lecture" is an educational presentation intended to inform or teach enrolled students about a particular subject, including any instructor-led discussions that form part of the presentation, and delivered by any instructor hired or appointed by the University, or by a guest instructor, as part of a University of Florida course. A class lecture does not include lab sessions, student presentations, clinical presentations such as patient history, academic exercises involving solely student participation, assessments (quizzes, tests, exams), field trips, private conversations between students in the class or between a student and the faculty or lecturer during a class session.

Publication without permission of the instructor is prohibited. To "publish" means to share, transmit, circulate, distribute, or provide access to a recording, regardless of format or medium, to another person (or persons), including but not limited to another student within the same class section. Additionally, a recording, or transcript of a recording, is considered published if it is posted on or uploaded to, in whole or in part, any media platform, including but not limited to social media, book, magazine, newspaper, leaflet, or third party note/tutoring services. A student who publishes a recording without written

consent may be subject to a civil cause of action instituted by a person injured by the publication and/or discipline under UF Regulation 4.040 Student Honor Code and Student Conduct Code.

Students Requiring Accommodations: Students with disabilities requesting accommodations should first register with the Disabilities Resource Center (392-8565, www.dso.ufl.edu/drc/), providing appropriate documentation. Once registered, students will receive an accommodation letter that can be presented to the instructor when requesting accommodation. Please register at the beginning of the course if seeking accommodations.

Course Evaluation: Students are encouraged to provide feedback on the quality of instruction in this course by completing online evaluations at <https://evaluations.ufl.edu>. Evaluations are typically open during the last two weeks of the semester, but students will be given specific times when they are open for the course.

Health Counseling and Emergencies: Contact information for UF counseling and mental health services are: 392-1575, <http://www.counseling.ufl.edu/cwc/Default.aspx> . Dial 9-1-1 for any emergencies.