

Winter 2004
ECON 670
Call 06252-0

The Department of Economics
The Ohio State University
Microeconomic Principles

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Classes: T, R, 8:30-10:18, Room 322 Ramseyer Hall (RA).

Office Hours: Prof. Levin's office hours: T, R, 4:30-5:30 PM (Arps 443B) or by appointment.

Text: (*) Dennis Carlton and Jeffrey Perloff, *modern Industrial Organization*, 1999, 3ed Ed.
Addison-Wesley Educational Publishers Inc., U.S.

COURSE OUTLINE

(All reading references are to chapters in Carlton and Perloff's text)

Week I. (Starts Jan. 05). **Introduction:** 1. Course Organization. 2. Overview.

3. Perfect Competition and the Invisible hand; when and why it works or does not work.
[Assumptions, efficiency (Pareto) and (the weak) welfare implications. Entry and Exit,
Small number of firms and strategic behavior. Economies to scale: a fundamental tension
between exploiting scale economies and letting a large cat to watch the milk.]

Chapters 1, 2 and 3.

Week II. (Starts Jan. 12). **Monopoly:** 1. A simple model of pure and static monopoly.

What is all that fuss? 2. Three kinds of static inefficiencies. 3. Monopoly with potential
entrants. 4. A model of a dominant firm with a competitive fringe.

Chapter 4.

Week III and IV. (weeks of Jan. 19, 26 and Feb. 02). **Oligopoly.** 1. A very brief introduction to
game theory. 2. The Cournot oligopoly model with its Cournot/Nash equilibrium. 3.

Comparative Statics results, or what is nice and not nice about the model. 4. The Stackelberg
model. 5. Bertrand price competition. 6. Contrasting and connecting the Cournot and Bertrand
models. 7. Monopolistic Competition.

Chapters 5, 6 and 11.

Week V. (Starts February 02). **Industry concentration.** 1. Measures and applications (Lerner's
mark-up measure; concentration ratios; the Herfindahl-Hirschman Index and its uses in antitrust
policy.) 2. The Structure-Conduct-Performance paradigm.

Chapter 8.

Mid-term Exam, February 5, 2004.

Week VI. (Feb. 09). **Product Differentiation.** (Differentiation by quality, brand name; location).

Chapter 7.

Week VII. (Feb. 16). **Price Discrimination.** 1. First-, Second- and Third-degree price discrimination. 2. Motives, conditions, applications and examples. 3. Welfare analysis.

Chapter 9.

Week VIII. (Feb. 23). **Horizontal Mergers; Vertical Integration and Vertical restrictions.**
1. Motives, conditions, applications and examples. 2. Efficiency and welfare examination.
3. Antitrust policy.

Chapter 12.

Week IX. (Starts March 01). **Information** 1. Markets with incomplete and/or asymmetric information. 2. Consequences in “Lemon” markets; Limit pricing; Predatory pricing.

Chapter 13.

Week X. (March 08, if time permits). **A brief introduction to Auctions with Private Values and Common Values.** 1. Auctions Forms; 2. Equilibria of the different auctions; 3. Strategic and Revenue Equivalence in Independent-Private-Value auctions. 4. Behavior in IPV auctions, experimental Evidence; 5. Common-Values Auctions and Adverse Selections. 6. Experimental Evidence and the Winner’s curse.

Final Examination, Tuesday, March 16, 2004

You should read the relevant text for each lecture before our meeting at least once. Doing it will enable us to focus on material that is harder and more interesting. Class attendance and participation is strongly recommended. Students who miss classes are still expected to keep up with the information discussed in those classes. There will be 4-6 Problem Sets, one midterm exam, and a final exam. In our first class we will discuss: The format of the exams and make up policy, grades (roughly: PS. 20%; MT 30%; and FE* 50%), and how the PS. will be used.

I hope you enjoy the course. Good luck.

* This material is available in alternative formats upon request. Please contact Mr. John David Slaughter (Undergrad Coordinator), 410F Arps Hall, Phone: 292-6702, for further information. Students with disabilities are responsible for making their needs known to the instructor, and seeking available assistance, in a timely manner.