

## Tárgytematika / Course Description

### Market Theory

KGNM\_NETA019

**Tárgyfelelős neve /**

**Teacher's name:** dr. Kovács Norbert

**Félév / Semester:** 2018/19/2

**Beszámolási forma /**

**Assesment:** Vizsga

**Tárgy heti óraszám /**

**Teaching hours(week):** 2/2/0

**Tárgy féléves óraszám /**

**Teaching hours(sem.):** 0/0/0

### OKTATÁS CÉLJA / AIM OF THE COURSE

After completing this course, students should have developed a range of skills enabling them to understand economic concepts and use those concepts to analyze specific questions.

By the end of this course, students should be able to:

- Understand firm behavior.
- Analyze different types of market structures (monopoly, oligopoly and a competitive market).
- Understand how to apply economic principles to a range of policy questions.

Students should also have the skills needed to:

- Use supply and demand diagrams to analyze the impact of overall changes in supply and demand on price and quantity.
- Solve a firm's profit maximization problem mathematically and graphically.
- Analyze the behavior of firms in a perfectly competitive market in the short-run and the long-run.
- Calculate producer and consumer surplus.
- Analyze the behavior of firms in a monopoly or oligopoly, and calculate the resulting changes in producer or consumer surplus.
- Understand firms behavior under uncertainty and asymmetric information.

### TANTÁRGY TARTALMA / DESCRIPTION

Week	Topic
week 1	Perfect competition, monopoly, Cournot, Stackelberg Bertrand duopoly
week 2	Dominant firm, competitive fringe modell
week 3	Price discrimination – linear pricing: third degree price discrimination or group pricing, non-linear pricing: first and second degree price discrimination

week 4	Commodity Bundling and Tie in Sales - Stiegler model - Adams and Yellen model
week 5	Product Variety and Quality Under Monopoly - a spatial approach to horizontal product differentiation
week 6	Bertrand in a Spatial Setting Stackelberg in a Spatial Setting – sequential price competition
week 7	<b>Midterm exam</b> Anticompetitive Strategies I. – Capacity expansion as a credible entry-detering commitment /Dixit-model/
week 8	Anticompetitive Strategies II. – Predation and imperfect information /Bolton-Scharfstein modell, Milgrom-Roberts modell/
week 9	Anticompetitive Strategies III. – Predation and long-term exclusive contracts /Aghion-Bolton, Rasmussen-Rasmayer-Wiley/
week 10	Price fixing and repeated games: - finitely repeated games - infinitely or indefinitely repeated games
week 11	Advertising and Competition I. – The monopoly firm’s profit-maximizing level of advertising
week 12	Advertising and Competition II. – Advertising and information in product-differentiated markets
week 13	Advertising and Competition III. – Advertising, brand name, competition
week 14	<b>Midterm exam</b> Competition Policy: History, Objectives, and the Law; Measuring market structure and market power, concentration and profitability.

## SZÁMONKÉRÉSI ÉS ÉRTÉKELÉSI RENDSZERE / ASSESSMENT'S METHOD

### Course Components and Requirements

Assigned readings

Lectures

Two midterm exams (written)

Final Exam (written)

## Evaluation

0 - 50 %	insufficient
51 - 65 %	sufficient
66 - 80 %	satisfactory
81 - 90 %	good
91 - 100 %	excellent

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## KÖTELEZŐ IRODALOM / OBLIGATORY MATERIAL

### Compulsory readings

Lynne Pepall – Daniel J. Richards – George Norman [2008]: **Industrial Organization. Contemporary Theory and Empirical Applications**, Blackwell Publishing, 4th Edition (Buy at [Amazon](#), or borrow from our [library](#))

### Recommended reading

Drew Fudenberg – Jean Tirole [1991]: *Game Theory*, The MIT Press, Cambridge

Giorgio Monti [2007]: *EC Competition Law*, Cambridge University Press, Cambridge

Hal R. Varian [1997]: *How to Build an Economic Model in Your Spare Time*, UC Berkeley

Jan Boone [2004]: *A New Way to Measure Competition*, Tilburg University, ENCORE

Jean Tirole [1988]: *The Theory of Industrial Organization*, The MIT Press, Cambridge

Luis C. Corchón [2001]: *Theories of Imperfectly Competitive Markets*, Springer, New York

Marcel Canoy - Machiel van Dijk - Jan Lemmen - Ruud de Mooij - Jürgen Weigand [2001]: *Competition and Stability in Banking* CPB Document, No 015 CPB Netherlands Bureau for Economic Policy Analysis

Massimo Motta [2004]: *Competition Policy – Theory and practice*, Cambridge University Press, Cambridge

Michael H. Best [2007]: *The New Competition – Institutions of Industrial Restructuring*, Polity Press, Cambridge

Michael S. Gal [2003]: *Competition Policy for Small Market Economies*, Harvard University Press, Cambridge

Paolo Coccoresse [2002]: *Competition among dominant firms in concentrated markets: evidence from the Italian banking industry*; Paper for the 6th Annual EUNIP Conference December 5-7, 2002, Abo Akademi University, Abo (Turku), Finland

Tõnu Puu – Irina Sushko [2002]: *Oligopoly Dynamics – Models and Tools*, Springer, Berlin