

Tárgytematika / Course Description

Market Theory

KGNM_NETA019

Tárgyfelelős neve /

Teacher's name: dr. Kovács Norbert

Félév / Semester: 2022/23/2

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

1. Course description

The course based on the theoretical and empirical results of the theory of industrial organisations and deals with models of the profit maximizing behaviour of firms in different market structures.

2. Course Goals

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	Introduction, perfect competition, monopoly,
week 2	Cournot, Stackelberg Bertrand duopoly
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
week 7	Stackelberg in a Spatial Setting – sequential price competition

week 8	Anticompetitive Strategies I. – Capacity expansion as a credible entry-deterring commitment /Dixit-model/
week 9	Anticompetitive Strategies II. – Predation and imperfect information /Bolton-Scharfstein modell, Milgrom-Roberts modell/
week 10	Anticompetitive Strategies III. – Predation and long-term exclusive contracts /Aghion-Bolton, Rasmussen-Rasmayer-Wiley/
week 10	Price fixing and repeated games: <ul style="list-style-type: none"> - 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

SZÁMONKÉRÉSI ÉS ÉRTÉKELÉSI RENDSZERE / ASSESMENT'S METHOD

3. Course Components and Requirements

1. Download and read the presentations of every lessons.
2. Read the learning objectives.
3. Learn the key terms, algorithms and models.
4. Solve and save all tests. Deadline: 10 May 2023. Please compliance the deadline.
5. Write an essay and upload IT to szelearning. The deadline is 12 May 2023. The offered grade* is based on the

essay to be submitted.

5.1. Optional topics ARE The Following:

- Asymmetric information and competition - Theory and practice
- Duopoly/Oligopoly models - Theory and practice
- Predatory pricing - Theory and practice
- Advertising and competition - Theory and practice

5.2. FORMAL REQUIREMENTS: USE THE AER Guidelines for Accepted Articles / STYLE GUIDE <https://www.aeaweb.org/journals/aer/submissions/accepted-articles/styleguide>

5.3. 2500–3000 words, or 10–12 pages

5.4. Deadline to upload the essay is 12 May 2023.

5.5. Criteria for grading (essential elements required for ALL essays)

- Relevance: it directly answers the question
- Understanding of the topic
- Evidence of the use of appropriate material (e.g. books, journal articles, etc.)
- Organisation of material into a coherent structure: introduction, argument and evidence, conclusion
- Clear style, including accurate spelling, clear sentence construction and punctuation with due allowance made for students registered as dyslexic
- References
- Bibliography
- Use of own words, except where directly quoting from another source
- Language: avoidance of inappropriate slang, racist or sexist language
- The following features are deemed to be evidence of quality
- Evaluation and analysis of a wide range of material and sources
- Ability to understand to discuss critically abstract ideas, theories and concepts
- Argument - well formulated, substantiated, and with evidence of critical and independent thought

Grading*

First Class (above 85%) - EXCELLENT

- A first class essay will typically demonstrate excellence in the following:
 - accurate integration of a wide range of material and resources
 - high level of critical analysis and independent judgement
 - quality of arguments in response to the question
 - sources fully and accurately identified
 - originality of exposition or treatment
 - in addition to incorporating all of the elements required of all essays (above)

Second Class, First Division or 2.1 (75-84%) - GOOD

- There were be very good use of many or most of the aspects outlined in the first class essay, but certain features may be less fully realised. Thus, for example, a typical 2.1 essay will
 - include a comprehensive knowledge and understanding of all relevant issues
 - display a very good level of independent and critical judgement
 - involve conceptual analysis in relation to certain issues of the argument
 - in addition to incorporating all of the elements required of all essays (above)

Second Class, Second Division or 2.2 (65-74%) - SATISFACTORY

- There will be good use of some of the features of the first class essay, although several elements will be only partially realised. Thus, for example, a typical 2.2 essay will display some independent thought (e.g. through the use of original examples), but
 - may have uneven coverage of relevant issues, with some explored in more detail than others
 - may lack sustained conceptual analysis, tending to accept uncritically the principal arguments in an area
 - will include most of the elements required of all essays, but not all, for example, there may be some confusion in the use of terms
 - the referencing may be inaccurate or inconsistent
 - there may be use of inappropriate language

Third Class (50-64%) - SUFFICIENT

- There will be a satisfactory use of a limited number of the features outlined for the first class essay, but significant elements will be underdeveloped. Thus, for example, a typical third class essay may
 - display little evidence of independent thought and critical judgement
 - include a partial and rather superficial coverage of the key issues
 - lack critical analysis
 - while some of the elements required of all essays are present, they are not necessarily adequate. The essay may display, for example, a satisfactory grasp of the topic, be relevant to the question, but it may
 - it may be poorly structured
 - it may include some waffle (i.e. deploying lots of words without meaning very much)
 - the language may lapse into colloquialism
 - references may be inadequate and inaccurate

Fail (below 50%) - INSUFFICIENT

- There will be an inadequate use of a significant number of the features outlined for the first class essay. A typical Fail essay may be characterized by the following:
 - major inaccuracies and omissions
 - offers unsubstantiated opinion
 - demonstrates no evidence of critical judgement
 - there may be an attempt to respond to the question, but the essay as a whole will not answer it
 - may be badly written
 - there may be no references
 - there may be little evidence of reading.

5. Course details

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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 Coccorese [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, Åbo Akademi University, Åbo (Turku), Finland

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