ECON 7050: Advanced Economic Theory

Fall 2011

Instructor: Professor Yongmin Chen
Office: Econ 112
Class Time: 1:30-2:45 MW
Class Room: ECON 119
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Office Hours: 3:00-5:00 p.m. on Wednesday

Course Description: This is the third graduate course in microeconomic theory. It contains several important topics that were not covered in the two previous microeconomic theory courses. It will also discuss additional topics of interest.

Course Materials: The textbook is *Microeconomic Theory*, by Mas-Colell, Whinston, and Green. Other reading materials, including articles, are indicated below or will be added during the semester.

Grading: Grades are based on homework and class participation (10%), a modeling exercise (20%), and two exams (70%). You are encouraged to form study groups to discuss homework and lecture materials. In the modeling exercise, you will be asked to develop a simple model to describe and analyze a microeconomic problem.

Lecture Topics: Below is a tentative plan for the lectures. Changes will be announced in class during the semester and you are responsible for updating the information.

**Topic 1** Dynamic Models of Imperfect Competition and Entry
Readings: Ch. 12: 12D-12G.

**Topic 2** Adverse Selection, Signaling, and Screening
Readings: Ch. 13
Topic 3  The Principal-Agent Problem  
Readings: Ch. 14  

Modeling Exercise: Develop a simple model to describe and analyze a microeconomic problem. I will discuss the requirements in class.

Exam 1.

Topic 4  Theory of the Firm  
Readings:  

Topic 5  Vertical Contracting  

1. The Problem of Vertical Control  
2. Resale Price Maintenance (RPM)  
3. Contracts as a Barrier to Entry  
4. Naked Exclusion  
5. Recent Developments  

Required Readings:  

Other Readings:
• Fumagalli, Chiara and Massimo Motta, "Exclusive Dealing and Entry when Buyers Compete," AER, 96(3), 2006.

**Topic 6 Economics of Search**

1. Price Search in Homogeneous Product markets
   (1) Salop and Stiglitz’s “Bargains and Ripoffs”
   (2) Varian’s model of sales
   (2) Diamond’s Paradox
   (3) Stahl’s model of sequential search

2. Product Search in Differentiated Markets and on the Internet
   (1) Wolinsky’s model
   (2) Order of Search
   (3) Paid Placement: Advertising and Search on the Internet

**Required Readings:**


Other Readings:

Exam 2

Completing Modeling Exercise.

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