THEORY OF THE FIRM

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1 Description of the Course
Industrial organization extends the theory of the firm by analyzing market frictions, imperfect competition, limited information, and regulations. In the first part of the course we will study behavior of monopolies: how they set prices in static and dynamic settings, what are the optimal ways to sell products, how they choose product quality, and how monopolies can affect social welfare. In the second part we extend the analysis to multiple firms and study the behavior of oligopolies. The major interest is in different forms of competition and collusion. In the third part, we extend the analysis to the situations where the buyers are boundedly rational: for example, how to treat buyers who unable to make very complex comparisons. The final part of the course takes more general view and uses mechanism design to discuss which allocations are generally implementable and kind of institutions deliver the optimum.

2 Topics
2. Oligopoly: static models of competition, Dynamic models of competition, competition with differentiated products, vertical differentiation, monopolistic competition, entry, search, sales.

3 Requirements
Requirements include weekly problem sets, a midterm (40%), and a final exam (60%).

4 Textbooks
Main text:

For some of the topics we will use chapters from: