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# **Syllabus for “Advanced Microeconomics. Part one: Demand, Firms, and Market Structure ”**

Winter Term 2020/21

## **Time and Location**

- 10<sup>th</sup> November 2020, 14:00-17:30 conference room, IWH
- 24<sup>th</sup> November 2020, 14:00-17:30 conference room, IWH

## **Description**

This first part of the PhD course “Advanced Microeconomics” provides a comprehensive coverage of the microeconomic theory of demand, firms, production, market structure, and market power. The lecture is the first out of four parts. Students are expected to have a solid background in microeconomics. The aim of this lecture is:

- You learn about the microeconomic theory of demand and production
- You understand the theory behind and necessary conditions for competitive markets
- You understand the concept of market power and how market structures affect market outcomes
- You learn how to derive key insights of these contents using appropriate mathematical tools

## **Prerequisites**

A solid background of microeconomic theory. Joy of learning and discovery.

## Literature

The course will be based on the book:

**Mas-Colell, A., Whinston, M. D., & Green, J. R.** (1995). *Microeconomic theory* (Vol. 1). New York: Oxford university press.

You are expected to read the relevant chapters of the book covered in class. Additionally, the course draws from several other sources that you are expected to read, too. Please note: The slides and notes will not substitute attending the class nor reading the material. They intend to help you to follow and understand the contents of the course.

## Contents and required reading

### 1. Theory of demand

- Mas-Colell, Whinston., & Green (1995), chapter 3 and 4
- Belleflamme, P., & Peitz, M. (2015). *Industrial organization: markets and strategies*. Cambridge University Press, chapter 2.1

### 2. Theory of production

- Mas-Colell, Whinston., & Green (1995), chapter 5
- Belleflamme, P., & Peitz, M. (2015). *Industrial organization: markets and strategies*. Cambridge University Press, chapter 2.1

### 3. Competitive markets

- Mas-Colell, Whinston., & Green (1995), chapter 10
- Belleflamme, P., & Peitz, M. (2015). *Industrial organization: markets and strategies*. Cambridge University Press, chapters 2.2-3.2
- Stigler, G. J. (1957). Perfect competition, historically contemplated. *Journal of political economy*, 65(1), 1-17.
- Robinson, J. (1934). What is perfect competition?. *The Quarterly Journal of Economics*, 49(1), 104-120.

### 4. Market power

- Mas-Colell, Whinston., & Green (1995), chapter 12
- Belleflamme, P., & Peitz, M. (2015). *Industrial organization: markets and strategies*. Cambridge University Press, chapters 2.2-3.2

- Panzar, J. C., & Rosse, J. N. (1987). Testing for "monopoly" equilibrium. *The journal of industrial economics*, 15(4), 443-456.
- De Loecker, J., & Warzynski, F. (2012). Markups and firm-level export status. *American economic review*, 102(6), 2437-71.

**Further reading and applications (not mandatory, but if we have time, we cover some of this):**

- De Loecker, J., Eeckhout, J., & Unger, G. (2020). The rise of market power and the macroeconomic implications. *The Quarterly Journal of Economics*, 135(2), 561-644.
- Hsieh, C. T., & Klenow, P. J. (2009). Misallocation and manufacturing TFP in China and India. *The Quarterly journal of economics*, 124(4), 1403-1448.
- Dhingra, S., & Morrow, J. (2019). Monopolistic competition and optimum product diversity under firm heterogeneity. *Journal of Political Economy*, 127(1), 196-232.
- Baqaee, D. R., & Farhi, E. (2020). Productivity and misallocation in general equilibrium. *The Quarterly Journal of Economics*, 135(1), 105-163.

## **Examination/Assessment**

After every block of lectures, you will receive a problem set which you need to solve within a week. In total there will thus be two problem sets that you need to solve. Over the entire four parts of the advanced microeconomics course (from which this one here will be the first), you will receive eight problems sets in total form which you have to pass six to pass the entire course.