

TEACHING GUIDE

2019/20

Centre 321 - Faculty of Economics and Business

Cycle Indiferente

Plan GECONO30 - Bachelor`s Degree in Economics

Year Third year

SUBJECT

27017 - Market Power & Strategy

ECTS Credits: 6

DESCRIPTION & CONTEXTUALISATION OF THE SUBJECT

The Market Power and Strategy (Advanced Microeconomics I) course is dedicated to the study of market structures characterized by the existence of market power. Attention is centered on the behavior of the firms and the functioning of the markets in environments moved away from perfect competition and where strategic interaction plays a fundamental role.

We first study Non-cooperative Game Theory and show its utility to analyze different economic phenomena characterized by strategic interdependence. Next, we study different models of oligopolistic competition and the stability of the agreements. Finally, we analyze the monopoly, dedicating a special attention to the different types of price-discrimination.

In order to attend this course it is convenient to have assimilated the knowledge of the following courses: Mathematics I, Mathematics II, Microeconomics and Intermediate Microeconomics, since they provide the necessary tools for analysis. Being able to solve optimization problems (of one or several variables) and derive and integrate with ease are essential requirements for a good use of the course.

Market Power and Strategy is an Advanced Microeconomics course and is part of a sequence of courses of microeconomic content within the Degree in Economics. In the first year, in the Introduction to the Economy I: Principles of Microeconomics course, an introduction to microeconomics is studied. In the first term of the second year, the Microeconomics course deepens in the fundamental aspects of the theory of the consumer and in the study of efficiency in interchange economies. The Intermediate Microeconomics course, taught during the second term, is centered in the theory of the producer, the analysis of general equilibrium in economies with production, and the analysis of social welfare and market failures related to the existence of public goods and externalities. The two previous courses consider perfectly competitive environments whereas the Market Power and Strategy course, which is taught in the first term of the third year, gives attention to markets under imperfect competition. Later, in the second term of the third year, the Uncertainty and Contracts (Advanced Microeconomics II) course deepens in the decision making under uncertainty and in the economy of the information. These five courses constitute the sequence of microeconomics of the Degree in Economics.

The knowledge acquired in the previous courses is necessary for other courses of microeconomic content that are studied in the degree, for example Public Economy: Expense, Public Economy: Income, Experimental Economy, International Trade, Mathematical Programming and Game Theory, Environmental Economy and Natural Resources, and Economy of the Information.

The Market Power and Strategy course provides the future graduated with tools that will help to understand the strategic behavior of the firms and the functioning of the markets. It provides essential knowledge for the formation of an economist that will be very useful in the development of their professional activity.

COMPETENCIES/LEARNING RESULTS FOR THE SUBJECT

Objectives of the course

The objective of the course is to acquire the abilities to model diverse market structures, detecting and evaluating the problems inherent in these structures, with a special focus on market power and strategic interdependence. First, we study non-cooperative Game Theory and show its usefulness in analyzing different economic phenomena characterized by strategic interdependence, characterizing markets with only a few competing firms. Then, we analyze different models of oligopolistic competition and the stability of collusive agreements, using game-theoretic concepts. Finally, we study the case of monopoly, focusing on different types of price discrimination.

Specific competences of the course

- 1.- To identify, model, and analyze economic phenomena related to market structures characterized by the existence of market power.
- 2.- Analyze multi-person election problems characterized by the existence of strategic interdependence using the game theory, propose solutions to these problems, and apply the game theory to oligopolistic markets.

Learning results

- 1.- Capacity to identify, to model and to analyze economic phenomena related to market structures characterized by the existence of market power.
- 2.- Capacity to analyze, by means of Game Theory, problems of multi-personal election characterized by the existence of strategic interdependence, to propose solutions to these problems and to apply the tools of Game Theory to oligopolistic markets.
- 3.- Capacity to use marginal analysis in the study of economic phenomena.

Cross-cutting skills of the course

- 1.- C3: To emit reasoned judgments and to make decisions on relevant questions with critical capacity. To analyze the information from different perspectives: verbal, analytical and graphical reasoning.
- 2.- C6: Capacity for written communication, specially in the elaboration of clear and coherent reports.
- 3.- C8: Capacity to work in groups, with responsibility and respect, initiative and leadership.

THEORETICAL/PRACTICAL CONTENT

- Chapter 1. Game Theory and Competitive Strategy.
 Chapter 2. Oligopoly.
 Chapter 3. Monopoly and Price Discrimination.

METHODS

Lectures, practical lessons, seminars and evaluable exercises.
 Clarification: The key element are the lectures, in which we will develop the different topic of the course. In practical lessons, the professor will solve problem sets corresponding to the topic covered in lectures. During the seminar classes, the students will solve questions/problems related to the topic of the course either individually or in groups.

TYPES OF TEACHING

Type of teaching	M	S	GA	GL	GO	GCL	TA	TI	GCA
Classroom hours	42	9	9						
Hours of study outside the classroom	60	18	12						

Legend: M: Lecture S: Seminario GA: Pract.Class.Work GL: Pract.Lab work GO: Pract.computer wo
 GCL: Clinical Practice TA: Workshop TI: Ind. workshop GCA: Field workshop

ASSESSMENT SYSTEMS

- Continuous assessment system
- Final assessment system

TOOLS USED & GRADING PERCENTAGES

- Extended written exam 70%
- Team work (problem solving, project design) 30%

ORDINARY EXAM CALL: GUIDELINES & DECLINING TO SIT

The continuous evaluation is applied in the course. There will be one final exam (on dates specified by the Dean's office), in which the students will solve both theoretical and practical problems and which will account for 70% of the final grade. In addition, the students will be evaluated on basis of their work throughout the seminars all along the course. This second part will account for 30% of the final grade, whenever the mark of the final exam is at least 4 over 10. The evaluation of this work will be as follows: the students will solve problems and theoretical questions presented by the lecturer. Three of these tasks will be handed in to the lecturer for their evaluation. These tasks will be solved either individually or in groups.

Students who cannot participate in the continuous evaluation have the right to be solely evaluated on basis of the final exam on dates specified by the Dean's office. In such a case, their grade will be 100% based on the final exam. Students who will not take the final exam will be graded as 'No presentado'.

EXTRAORDINARY EXAM CALL: GUIDELINES & DECLINING TO SIT

Students taking the makeup exam (convocatoria extraordinaria) will be graded 100% on the basis of this exam.

COMPULSORY MATERIALS

Basic Bibliography and collection of problems provided by teachers.

BIBLIOGRAPHY

Basic bibliography

Notes on Imperfect Competition.

Varian, H.(2009): Intermediate Microeconomics: a modern approach. Ed. Norton, 8th edition.

Varian, H.(2011): Microeconomía Intermedia: un enfoque actual. Ed. Antoni Bosch, 8ª edición.

Varian, H.(1998): Análisis microeconómico. Ed. Antoni Bosch, 3ª edición.

In-depth bibliography

R. H. Frank (1992): Microeconomía y conducta, McGraw-Hill.

D. Kreps (1995): Curso de Teoría Microeconómica, McGraw-Hill.

Journals

Useful websites

REMARKS