EC 352: Economics of the Firm

Professor Andrew Beauchamp
Spring 2010-Preliminary Syllabus
My Office: 21 Campanella Way, Room 492
o: (617) 552-4055
e: beauchaa@bc.edu

Course Description:
This is an advanced undergraduate course examining the economics of the firm. We will cover both the major motivations for the existence of firms in a market economy, as well as the detailed analysis of firm behavior. The analysis will be formal and utilize concepts and techniques from intermediate microeconomics. To be clear, we will constantly be exploiting the language of math to discuss the incentives, objectives and choices of firms. If you are uncomfortable or struggled with the mathematics from intermediate micro, this course may be very difficult to follow. The topics we cover include oligopoly competition, collusion, price discrimination, product differentiation, advertising, and entry and exit. The focus of a course like this is to apply and expand the modeling toolkit economists use to think about the world. In the process you will develop your ability to understand strategic interactions and the organization of firms in a market economy. Accordingly the course will involve working through problem sets on your own and/or in a group in order to fully understand the lecture materials.

Prerequisite: EC 201.

Reading: The required textbook for the class is


Short readings, posted on Blackboard.

The textbook will provide a background for the topics we discuss in class. The notes you take from lectures and the problem sets are the best guide for the material which will be tested in the exams.

Lectures:
Lectures are scheduled from 12:00-1:15pm on T TH.

Office Hours:
Will be held on Tuesday at 10 AM. The TA will also hold a weekly office hour TBA.
**Exams and Grading:**
There will be a midterm, final exam, and ten problem sets. Late problem sets will not be accepted. To complete the problem sets you are welcome to discuss and work with your classmates, and may turn in joint problem sets of up to three students. If you fail to contribute to or understand your problem set write-ups you will hurt only yourself and will not be sufficiently prepared for the exams. The weighting of your grade is given by:
Final: 45%
Midterm: 35%
Problem Sets: 20%

The midterm will be on Thursday March 11, the final exam will be on Thu, May 13 9:00am.

**Outline of Topics** (Subject to Changes):

(PRN Ch 2 and 4)

Multiproduct monopoly and monopoly bundling and tying
(PRN Ch 8)

First and third degree price discrimination
(PRN Ch 5)

Second degree price discrimination
(PRN Ch 6)

Durable goods monopoly

Introduction to game theory
(PRN Ch 9)

Cournot and Bertrand competition (homogenous products)
(PRN Ch 9 and 10)

Differentiated product competition, variety and “excess entry”
(PRN Ch 7 and 10)

Midterm Exam (March 11)

Collusion and facilitating practices
(PRN Ch 11, 14, 15)
Mergers
(PRN Cn 16)

Strategic entry deterrence
(PRN Ch 8.4, 12)

Vertical relationships
(PRN Ch 17-19)

Auctions
(PRN Ch 25)

Asymmetric Information