

# ECON 7050: Advanced Economic Theory

Fall 2020

Instructor: Professor Yongmin Chen

Office: Econ 108

Class Time(remote/online)TTH: 11:10-12:25

Office Hours(remote/online): Wednesday: 10-5:00 PM

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Course Description: This is the third graduate course in microeconomic theory. It contains several important

Hw1b: 12.C.18, 12 D.2., 12 E.4., ~~12F~~ 12G.1; due on 9/10

Topic 2 Passthrough and Differential Pricing  
9/10, 9/15

Required Readings

(1) Weyl, E. and Michal Fabinger. "Passthrough as an Economic Tool"  
JPE, 121 (2013): 528-533.

(2) Chen, Y. and M. Schwartz. "Differential Pricing when Costs Differ: A  
Welfare Analysis", RAND, 2015

Hw2: Reviews of (1) and (2), due on 9/15. Each review is about 2 pages,  
double spaced

Topic 3 Adverse Selection, Signaling, and Screening  
9/17, 9/22, 9/24, 9/29

Required Readings Ch. 13

Hw3: 13.B.2, 13.B.4, 13.C.1, 13.C.5; due 10/

Topic 4 The Principal-Agent Problem and Applications  
10/1, 10/6, ~~10~~, 10/13, 10/15

Required Readings Ch. 14

Hw4: 14.B.4, 14.C.3, 14.C.7, 14.C.8; due 10/15.

Exam Tuesday, Oct 20.

Topic 5 Incomplete Contracts and Organization Design  
10/22, 10/29, 11/3

Required Readings

- Grossman S. and O. Hart, "The Costs and Benefits of Ownership", JPE (1986), 691-719.

### Additional Readings

- Coase, R., "The Nature of the Firm," *Economica* (1937), 386-405.
- Williamson, O.E., *The Economic Institutions of Capitalism*, 1985, New York: Free Press.
- Hart, O., "The Market Mechanism as an Incentive Mechanism", *BELL* (1983), 366-382.
- Binmore, K., A. Rubinstein, and A. Shleifer, "The Nash Bargaining Solution in Economic Modeling." *RAND* (1986).
- Wouter Dessein, Andrea Galeotti, and Tano Santos, "Rational Inattention and Organizational Focus" *AER*, 2016
- Chen, Y. 'Promises, Trust, and Contracts' *Journal of Law, Economics, & Organization*, 2000.

Hw5: Review of Grossman and Hart (1986), due on 10/29.

Planning for the Final Project: The project can either

(i)

### Additional Readings

- (5) Chen, Yongmin and David Sappington, "Exclusive Contracts, Innovation, and Welfare," *American Economic Journals: Microeconomics*, Vol. 3, 2011.
- (6) Fumagalli, Chiara and Massimo Motta, "Exclusive Dealing and Entry when Buyers Compete," *AER*, 96(3), 2006.
- (7) Greenlee, Patrick, David Reitman, and David

- Stahl, Dale O. 1989. "Oligopolistic Pricing with Sequential Consumer Search." AER, 700-712.
- Varian, Hal. 1980. "A Model of Sales." American Economic Review, 70, 1659
- Wolinsky, A. 1986. "True Monopolistic Competition as a Result of Imperfect Competition," QJE, 101493-511.

Additional Readings

- Armstrong, M and Y. Chen, "Inattentive Consumers and Product Quality," *Journal of the European Economic Association* (2009), pp. 411-422.
- Armstrong, M, Vickers, J, and Zhou, J., "Prominence and Consumer Search", RAND, 2009.
- Bagwell, K. and G. Ramey, "Coordination Economies, Advertising, and Search Behavior in Retail Markets", AER (1994) 498-517.
- Chen, Y. and R. Rosenthal, "On the Use of Ceiling Price Commitments by Monopolists", RAND (1996), 207-220.
- Chen, Y. and T. Zhaitchik, "Discretionary Advertising and Search Behavior in Retail Markets", AER (2009) 1493-511.
  - Chen, Y. and T. Zhaitchik, "Discretionary Advertising and Search Behavior in Retail Markets", AER (2009) 1493-511.



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