Required Reading

1. Theory of the Firm

Markets versus hierarchies, transaction costs, incomplete contracts, property rights. Objectives of the firm, the separation of ownership and control, managerial incentives, the takeover mechanism.


2. Oligopoly Theory

(a) Cournot and Bertrand.

TIROLE, pages 209-224.

(b) Cooperation in repeated games.

TIROLE, pages 239-264, 268-269.

(c) Product differentiation

TIROLE, pages 277-285, 296-300.
(d) Price competition vs Quantity competition


3. Entry and Strategic Behavior

(a) Entry and welfare, wars of attrition, entry barriers, contestability.

TIROLE, pages 305-313


(b) Strategic investment and entry deterrence and accommodation.

TIROLE, pages 207-208, 314-337


(c) Limit pricing, predatory pricing

TIROLE, pages 361-380.


Extra topic: IO and Auctions

Optional Additional Readings

**Topic 1**


**Topic 2**

(a) Cournot and Bertrand


(b) Repeated Games and Collusion


SHAPIRO, C. Theories of Oligopoly Behavior. In Schmalensee and Willig, eds., especially pages 356-381.


(c) Product Differentiation


(d) Price Competition vs Quantity Competition


**Topic 3**

(a) Entry and welfare, wars of attrition, entry barriers, contestability.

GILBERT, R. Mobility Barriers and the Value of Incumbency, in Schmalensee and Willig, eds., especially pages 476-485.


(b) Strategic investment and entry deterrence and accommodation.


(c) Limit pricing, predatory pricing.

TIROLE, pages 123-126, and Ex 11.12 (pages 440 and 456).

Extra Topic


Other References

Topic 1


**Topic 2 (b)**


**Topic 2 (c)**


**Topic 3 (b)**


**Topic 3 (c)**

and also MILGROM, P., AND ROBERTS J. in the same issue.

**Extra Topic**


(All the Klemperer papers can be found at [www.paulklemperer.org](http://www.paulklemperer.org))