Course: Oligopolistic Competition in Macroeconomic Models

Academic Year: 2013/2014

Semester: 2nd

Instructor(s): Rodolphe Dos Santos Ferreira, Teresa Lloyd Braga

Course Description: Great part of the course is conceived as an introduction to theoretic macroeconomic modeling when (some) output markets are oligopolistic, in contrast with the dominant New Classical or New Keynesian modeling in terms of perfect or monopolistic competition, respectively. A significant part of the course is however devoted to a comprehensive microeconomic approach to the static theory of oligopoly, as a necessary preliminary step to macroeconomic modeling proper. The relevance of oligopolistic competition in macroeconomic models is finally illustrated by several dynamic applications to the theories of endogenous business cycles and growth. The remaining part focuses on the possible role of labor market imperfections for the occurrence of endogenous growth, and for the macroeconomic effects (aggregate income, income distribution, unemployment and endogenous cycles) of productive factor’s globalization.

Course Content:
1. Historical introduction – How oligopolistic competition entered macroeconomics
2. Part I (Microeconomics) – A comprehensive approach to the theory of oligopolistic competition
3. Part II (Macroeconomics) –
   1) Macroeconomic implications of oligopolistic competition: price stickiness, markup variability, strategic indeterminacy
   2) Some applications to the theories of business cycles and growth
4. Labor Market Imperfections: some macroeconomic consequences

Course Objectives: The two main objectives of the first part of the course are: first, to emphasize the restrictive nature of the standard assumption that all output markets are either perfectly or monopolistically competitive, second, to provide tractable tools to extend macroeconomic analysis to situations where firms interact strategically as suppliers. The objective of the second part of the course is to understand how some standard macroeconomic results may change in the presence of labor market imperfections.

Grading: An exam at the end of the course. Participation in class is also taken into account.

Contact(s) and Office hours: Office hours will be arranged with the students as needed.
Email: rdsf@unistra.fr; tlb@ucp.pt

Bibliography:
For the first part of the course (topics 1, 2 and 3) students may want to refresh their memory on two relevant microeconomic topics, namely **duality** and **oligopoly**, by referring to an advanced microeconomics textbook, for instance


The following papers are part of the direct sources of the course content in this first part:


For the last part, it is convenient to revise general equilibrium theory as taught in standard Microeconomic courses. Knowledge of overlapping generations models may help, but is not required. In this last part, the following papers are direct sources of the course content:


**Biography:** Rodolphe Dos Santos Ferreira is professor emeritus at the University of Strasbourg. After studying law at the Classical University of Lisbon and economics at the University of Strasbourg, he obtained a PhD degree at the University Louis Pasteur in 1974, and became in the next year professor at the same University, until retirement in 2006. He was active senior member of the *Institut Universitaire de France* in 1996-2006, president of the French Economic Association in 2001-2002, and received the silver medal of the CNRS for his scientific contributions. He published 44 papers in refereed journals (e.g. *American Economic Review*, *Quarterly Journal of Economics*, *Journal of Economic Theory*, *Economic Theory, Games and Economic Behavior*, *Journal of Monetary Economics*, *International Economic Review*, *Journal of Economic Dynamics and Control*, *International Journal of Industrial Organization*), 15 chapters in books and conference proceedings, and edited or co-edited 3 special issues of refereed journals. He has mainly worked on oligopolistic competition, both in microeconomics (industrial organization and general equilibrium theory) and in macroeconomics. Also, a significant part of his research has been and is still devoted to different topics in the history of economic analysis.

**Biography:** Teresa Lloyd Braga holds a Ph.D. degree in Economics from Universidade Católica Portuguesa. Her research focus is on Business Cycles (endogenous), Non Linear Dynamics and the role of Market Imperfections on Macrodynamic Models. She has published in academic journals including *Journal of Economic Theory, Journal of International Economics, Journal of Economic Dynamics and Control, Economic Theory*, etc. She has been teaching several courses at Católica Lisbon School of Business and Economics and is currently the Academic Director of the MSc in Economics of Católica-Lisbon.