

Professor Joel Waldfogel

Managerial Economics
Business and Public Policy 250

Paper Assignment for the Joseph Wharton Scholar Section

A major goal of the course is to get you thinking about managerial decisionmaking against the backdrop of economic theory. This assignment is designed to get you doing just this.

Your task is to write a paper of not more than 5 pages addressing the following questions.

1. What is the scope for strategy in an industry whose conditions correspond to the perfectly competitive model?
 - a. Explain, possibly by making reference to an industry that is perfectly competitive, or nearly so.
 - i. Your answer should also invoke some of the formal theory discussed in the course.
 - ii. In thinking about this answer, ask whether either the firm's outcomes or the market equilibrium is affected by different strategic choices the firm might make.
2. Now consider a competitive context with differentiated products and fixed costs (are these common circumstances?)
 - a. What is the scope for strategy in this sort of context? Explain, possibly making reference to both a specific industry and invoking theoretical ideas from the course.
 - b. How are firm decisions related to firm outcomes, market outcomes?
 - c. How do the welfare properties of market equilibria differ from the perfectly competitive case?

Part 2 of the question should make up the bulk of your answer. It will be helpful, especially for part 2, for you to read the Spence paper in the bulkpack. You can begin thinking about the paper any time during the term, and we will have covered the relevant material long before that. The paper may be handed in as early as **Monday April 1st**, but you have an automatic extension until the last day of class, **Wednesday, April 17th**.

This paper is supposed to get you to think, and it's supposed to be fun as well as educational. The paper will account for 10 percent of your grade in the course.