

# **Introduction to Advanced Microeconomic Analysis**

**Format:** 16 x 2h lectures + 16 x 2h exercise classes

## **Overview:**

This course gives an advanced introduction to the current fields of micro economic theory. It also introduces students to the most important underlying ideas, models and research methods. Students without prior exposure to microeconomics will need to follow a disciplined program of outside reading in the early weeks to acquire background knowledge at the undergraduate level. After quickly introducing the classical market models of partial and general equilibrium, the course addresses market failures due to 1) externalities; 2) imperfect competition; 3) asymmetric information; 4) bounded rationality.

**Evaluation:** Final exam (100%)

## **Topics:**

### **Topic 1a:** Competitive Markets - Partial Equilibrium

Literature:

MasCollé, Whinston, Green "Microeconomic Theory", Chapter 10

### **Topic 1b:** Competitive Markets - General Equilibrium

Literature:

MasCollé, Whinston, Green "Microeconomic Theory" Chapter 15, 16

### **Topic 2:** Externalities and public goods

Literature:

MasCollé, Whinston, Green "Microeconomic Theory" Chapter 11

### **Topic 3a:** Monopoly - Price setting

Literature:

Tirole, "The Theory of Industrial Organization", Chapter 1

### **Topic 3b:** Monopoly - Price discrimination

Literature:

Tirole, "The Theory of Industrial Organization", Chapter 3

### **Topic 3c:** Monopoly - Product quality

Literature:

Tirole, "The Theory of Industrial Organization", Chapter 2

### **Topic 3d:** Oligopoly

Literature:

MasCollé, Whinston, Green "Microeconomic Theory", Chapter 12

Avinash Dixit (1979), "A Model of Duopoly Suggesting a Theory of Entry Barriers", The Bell Journal of Economics, Vol. 10, No. 1, pp. 20-32

Avinash K. Dixit and Joseph E. Stiglitz (1977), "Competition and Optimum Product Diversity" The American Economic Review, Vol. 67, No. 3 297-308

Harold Hotelling (1929), "Stability in Competition", The Economic Journal, Vol. 39, No. 153, 41-57

#### Topic 4a: Asymmetric Information - Lemon's Model

Literature:

George A. Akerlof (1970), "The Market for "Lemons": Quality Uncertainty and the Market Mechanism", The Quarterly Journal of Economics, Vol. 84, pp. 488-500.

#### Topic 4b: Asymmetric Information - Hidden Information (Adverse Selection)

Literature:

Laffont, J.J. and D. Martimort (2002): The theory of incentives: the principal agent model, Chapter 2, Princeton University Press

#### Topic 4c: Asymmetric Information - Moral Hazard

Literature:

Laffont, J.J. and D. Martimort (2002): The theory of incentives: the principal agent model, Chapter 4,5, Princeton University Press

#### Topic 5: Behavioral Aspects

Literature:

Lecture Notes