



Bachelor's courses School of Business and Economics

VU University Amsterdam - Student- & Onderwijszaken - Exchange programme Vrije Universiteit - 2018-2019

Microeconomics II

Course code	E_EBE2_MICEC ()
Period	Period 4
Credits	6.0
Language of tuition	English
Faculty	School of Business and Economics
Coordinator	dr. H.G. Bloemen
Examinator	dr. H.G. Bloemen
Teaching method(s)	Lecture, Instruction course, Seminar
Level	300

Course objective

Academic and Research Skills:

- you are able to apply economic theory using economic models;
- you understand how a problem can be formulated in terms of an abstract economic model and how the results can be interpreted.

Bridging Theory and Practice:

- you understand and are able to analyze economics theories and models in the field of (intermediate level) microeconomics;
- you are able to apply graphical tools, mathematical methods, and computations;
- you understand and remember the concepts and theoretical mechanisms.

Course content

This is a course in Microeconomics aimed at the intermediate level. The course addresses the general (competitive) equilibrium. This includes a discussion of the concept of Pareto efficiency and the conditions under which efficiency can be reached. In this context social welfare is considered. The concept of Pareto efficiency is being compared to the concept of "fair" allocation. Externality and public good are reasons for missing markets and may cause Pareto efficiency to be violated. Monopoly is a market structure that leads to absence of Pareto efficiency in the equilibrium. Causes of monopoly, such as the natural monopoly, are considered. Monopolist can use their power to conduct specific pricing strategies such as price discrimination. A market structure in between competition and monopoly is monopolistic competition. Firms in such markets have market power, but free entry drives profits to zero in the long run. In oligopolistic markets strategic interactions play an important role. Examples of such interactions are the decision to cooperate or not, and to deter entry or not. Game theoretic methods provide insight in various aspects of the strategies. With the rise of information technology new forms emerged by which suppliers offer their products. Some specific issues in these new markets are discussed. An auction is an allocation mechanism with various applications, among which is the auctioning of radio frequencies. In auctions strategy and game theoretic aspects play a role as well. Information is a very important aspect in the functioning of markets. Information asymmetry can lead to market failure, but also induce agents to find mechanisms to signal information and to find incentive payment schemes that function even if information is incomplete. The concept of revealed preference will be explained during the course.

Form of tuition

Lectures.

Instruction tutorials.

Tutorials.

Type of assessment

Assignments - Individual assessment

Exam with open questions - Individual assessment

Course reading

Hal R. Varian, "Intermediate Microeconomics", 9th edition.

Supplementary materials (journal articles, cases, assignments): to be announced.

Recommended background knowledge

Microeconomics I, Quantitative Research Methods I, Quantitative Research Methods II.