

MICROECONOMICS II

Degree(s)	: Economics
Type	: Compulsory course unit
Curricular year/semester	: 2nd year / 2nd Semester
ECTS / hours per week	: 6 ECTS / 4.0 Hours
Workload per week	: 2 Theoretical x 1 Hour + 1 Practical x 2 Hours
Teacher responsible	: Professor Carlos Farinha Rodrigues

OBJECTIVES

The course aims to introduce several topics of Microeconomics beyond perfect competition (strategic interaction of firms, uncertainty and asymmetric information) and follow some perfect competition topics (inter temporal decision, externalities and public goods).

This unit complements Microeconomics I. We will explore various aspects of imperfect competition, such as oligopoly, monopolistic competition, and imperfect information, and other situations that potentially give rise to market inefficiency, such as externalities and nonrivalry in consumption.

PROGRAM

1 Game Theory (Perloff, chapter 13)

- 13.1 Static Games
- 13.2 Dynamic Games
- 13.3 Behavioural Game Theory

2 Oligopoly and Monopolistic Competition (Perloff, chapter 14)

- 14.1 Market Structures
- 14.2 Cartels
- 14.3 Cournot Oligopoly Model
- 14.4 Stackelberg Oligopoly Model
- 14.5 Bertrand Oligopoly Model
- 14.6 Monopolistic Competition

3 Uncertainty and Asymmetric Information (Perloff, chapters 16 & 18)

- 16.1 Assessing Risk
- 16.2 Attitudes Towards Risk
- 16.3 Reducing Risk
- 16.4 Investing under Uncertainty
- 16.5 Behavioural Economics and Uncertainty
- 16.6 Problems Due to Asymmetric Information
- 16.7 Responses to Adverse Selection
- 16.8 How Ignorance about Quality Drives Out High-Quality Goods
- 16.9 Market Power from Ignorance
- 16.10 Problems Arising From Ignorance When Hiring

4 Externalities and Public Goods (Perloff, chapter 17)

- 17.1 Externalities
- 17.2 The Inefficiency of Competition with Externalities
- 17.3 Regulating Externalities
- 17.4 Market Structure and Externalities
- 17.5 Allocating Property Rights to Reduce Externalities
- 17.6 Rivalry and Exclusion

5 Intertemporal Consumption (Bibliography to be announced)

BIBLIOGRAPHY

Recommended Bibliography:

- Jeffrey M. Perloff, Microeconomics with Calculus (2nd Edition), Pearson Education [<http://www.pearsonhighered.com/perloff/>], 2011
- Varian, A. R, Intermediate Microeconomics: A Modern Approach (7th Edition), New York, W.W.Norton, 2005

Optional Bibliography:

- Rasmusen, Eric, Games and Information: an Introduction to Game Theory (3rd edition), Oxford, Blackwell, 2001
- Frank, Robert H., Microeconomia e Comportamento (3a edição), Lisboa, McGraw-Hill, 1998