



Subject: Microeconomics – Price Theory 2

SYLLABUS

Topic 1. The price mechanism (part IV) – more on monopoly

- 1.1. Review of the standard theory
- 1.2. Multigood monopoly
- 1.3. Nonlinear pricing. Price discrimination under monopoly

Topic 2. Basic elements of game theory

- 2.1. Description of a game (by examples: matching pennies, prisoner's dilemma, Cournot duopoly, Bertrand duopoly). Economic modeling of strategic choices
- 2.2. Solution concepts. Nash equilibrium. Interpretation of mixed strategies. Dominant strategies and elimination of dominated strategies
- 2.3. Repeated games. Sequential games. Refinements of Nash equilibrium. Subgame perfection
- 2.4. Games with incomplete information. Bayesian Nash equilibrium

Topic 3. The price mechanism (part V) – more on imperfect competition

- 3.1. Cournot equilibrium. Several firms. Welfare analysis. Bertrand equilibrium
- 3.2. Quantity leadership. Price leadership
- 3.3. Variations of the models
- 3.4. Collusion. Repeated oligopoly games. Sequential games
- 3.5. Limit pricing

Topic 4. Miscellaneous topics (part I) – theories of the firm

- 4.1. Firm as a profit-maximizing entity. Firm as a maximizing entity
- 4.2. Firm as a behavioral entity
- 4.3. Firms in the category of markets

Topic 5. Miscellaneous topics (part II) - adverse selection and market signaling

- 5.1. Akerlof's model of lemons
- 5.2. Signaling quality
- 5.3. Signaling and game theory

References:

1. David M. Kreps – *A course in microeconomic theory*, Pearson Education Limited, Edinburgh Gate, Harlow, Essex CM20 2JE, England.
2. Hal R. Varian – *Microeconomic analysis* (3rd edition), W. W. Norton & Company, Inc., 500 Fifth Avenue, New York, N.Y. 10110, www.wwnorton.com.
3. Andreu Mas-Colell, Michael D. Whinston, Jerry R. Green – *Microeconomic theory*, Oxford University Press, 1995, New York, Oxford.