

MASTER in ECONOMICS: EMPIRICAL APPLICATIONS AND POLICIES

MICROECONOMICS 2016/2017

Instructor: José María Usategui

Departamento de Fundamentos del Análisis Económico II

University of the Basque Country UPV/EHU

Course Outline

1- Elements of Decision under Uncertainty with Applications

- 1.1- Introduction
- 1.2- Expected Utility Theory
 - 1.2.1- The theory of expected utility
 - 1.2.2- Some criticisms of expected utility
- 1.3- Risk Aversion and its Measurement
 - 1.3.1- Risk aversion
 - 1.3.2- Certainty equivalent and risk premium
 - 1.3.3- Measurement of risk aversion
 - 1.3.3.1- Absolute risk aversion
 - 1.3.3.2- Comparisons across decision makers
 - 1.3.3.3- Relative risk aversion
 - 1.3.4- Types of utility functions and wealth effects
- 1.4- Applications
 - 1.4.1- Investment in risky assets and portfolio selection
 - 1.4.1.1- Investment in a risky alternative
 - 1.4.1.2- Exercises
 - 1.4.2- Risk Sharing
 - 1.4.3- Investment to reduce risk and insurance
 - 1.4.3.1- Investment to reduce risk
 - 1.4.3.2- Insurance
 - 1.4.4- Other applications
 - 1.4.4.1- Taxes and income underreporting

1.4.4.2- Bank solvency and deposit insurance

1.4.4.3- The value of information

References

- USATEGUI, J. M., Elements of Decision under Uncertainty with Applications (2015)

- Sections 6-A, 6-B and 6-C of MAS-COLELL, A., WHINSTON, M.D. and J.R. GREEN, Microeconomic Theory, 1995, Oxford University Press.

2- Imperfect Competition

2.1- The monopolist's decision problem

2.2- Oligopoly

2.2.1- Cournot (quantity) competition

2.2.2- Bertrand (price) competition

2.2.3- Capacity constraints

2.2.4- Product differentiation

2.2.5- The linear city model of product differentiation

2.2.6- Entry costs

References

- Sections 12-B and 12-C of MAS-COLELL, A., WHINSTON, M.D. and J.R. GREEN, Microeconomic Theory, 1995, Oxford University Press.

3- Game Theory

3.1- Games in normal form: simultaneous- move games

3.2- Games of incomplete information

3.3- Games in extensive form: sequential-move games

3.4- Games with imperfect information

3.5- Dynamic games

References

- Chapters 7, 8 and section 9B of MAS-COLELL, A., WHINSTON, M.D. and J.R. GREEN, Microeconomic Theory, 1995, Oxford University Press.