Course Description:

The main objective of this course is to introduce the principles of the modern microeconomic theory in order to equip you with the standard methods and analytical tools of economic analysis. A solid knowledge of microeconomics is essential in understanding the functioning of financial markets, in designing new institutions, and in evaluating existing public policies in such markets. The topics include interaction of demand and supply, market equilibrium, choice under certainty and uncertainty, firm theory, monopoly and its pricing strategies, equilibrium in perfect and imperfect markets, fundamentals of game theory, and economics of information. The topics will be introduced by using an analytical approach with rigorous modeling and emphasis on problem solving.

At the end of this course the student should be able to demonstrate that s/he understands:

- how demand and supply interact to determine the equilibrium price and quantity in a perfectly competitive market;
- the theory of consumer choice that underlies the demand-side of the market;
- how agents choose under risk and uncertainty;
- the cost minimization and profit maximization principles as the basis of an individual firms’ supply decisions;
- how in market structures other than perfectly competitive market, monopoly and imperfect competition, equilibrium price and quantity are determined;
- the basic concepts of game theory and is able to apply these concepts to actual market settings;
- how the presence of asymmetric information due to adverse selection and moral hazard problems creates market failure;
- the problems created by the presence of missing markets.

Course Assessment:

The dates of the midterm and final exams are announced in the web site of EconFin. The procedure in the case you happen to miss an exam will be announced by the EconFin directorate. Course grade will be determined as follows: %50 MIDTERM; %50 FINAL.
Textbook:
Lectures are mostly based upon your textbook book. While the textbook is not calculus based, the course is. The text provides the words and the story surrounding the concepts, and the lectures provide more words and stories and utilize calculus to prove the words and solve the problems.

Course Outline:

1. Markets and Prices
   - Introduction to Economics
   - The Basics of Supply and Demand

2. Consumer Theory
   - Utility, Budget Constraint, Choice
   - Choice Under Uncertainty, Insurance

3. Firm Theory
   - Production, Cost
   - Profit Maximization and Supply

4. Perfectly Competitive Markets

5. Imperfect Competition
   - Monopoly, Pricing with Market Power
   - Real life practices: Two-part Tariff, Bundling and Tying
   - Monopolistic Competition

6. Game Theory
   - Examples of Static Games with Business Examples
   - Dominant Strategy Solution & Nash Equilibrium
   - Oligopoly: Cournot & Bertrand Models
   - Dynamic Games: Threats and Credibility
   - Bargaining

7. Economics of Information
   - Principal/Agent Problems
   - Job Market Signaling

We wish you all a very successful term!