



Exchange programme Vrije Universiteit Amsterdam

Vrije Universiteit Amsterdam - Exchange programme Vrije Universiteit Amsterdam - 2024-2025

Exchange

Vrije Universiteit Amsterdam offers many English-taught courses in a variety of subjects, ranging from arts & culture and social sciences, neurosciences and computer science, to economics and business administration.

The International Office is responsible for course approval and course registration for exchange students. For details about course registration, requirements, credits, semesters and so on, please [visit the exchange programmes webpages](#).

Microeconomics II

Course Code	E_EBE2_MICEC
Credits	6
Period	P4
Course Level	300
Language Of Tuition	English
Faculty	School of Business and Economics
Course Coordinator	dr. H.G. Bloemen
Examiner	dr. H.G. Bloemen
Teaching Staff	dr. H.G. Bloemen
Teaching method(s)	Instruction course, Lecture, Seminar

Course Objective

After successfully completing this course, you:

Academic and Research Skills:

- are able to apply economic theory using economic models;
- 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 - knowledge:

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

Course Content

This is a course in Microeconomics 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. Externalities and public goods 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. Monopolists 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 structures 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 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.

Additional Information Teaching Methods

(Online) lectures. Instruction tutorials. Tutorials.

Method of Assessment

Assignments - Individual assessment.
Exam - Individual assessment.

Literature

- Hal R. Varian, "Intermediate Microeconomics", 9th edition.
- Supplementary materials (journal articles, cases, assignments): to be announced.

Recommended background knowledge

The course is compulsory for students following the Economics track of the BSc programme Economics and Business Economics (EBE) and builds on prior knowledge obtained in the courses Microeconomics I, Quantitative Research Methods I, Quantitative Research Methods II, part of the programme EBE.

For students from outside the EBE programme:

The course builds on prior knowledge of

- Microeconomics, including topics as consumer theory (utility maximization), theory of the firm (production functions, cost functions, profit maximization), market structure (competition, monopoly, oligopoly), present value, elasticities, consumer and producer surplus, welfare, Pareto efficiency
- Mathematical methods: optimization, Lagrange, differentiation, solving systems of equations
- Statistical methods: uncertainty and the concept of expected value, t-values