



CERGE-EI Master of Arts in Applied Economics

Course Description

1. Course Name

Applied Microeconomic Analysis

2. Abbreviation

AMA

3. Code

XXXX

4. Core or elective

Core

5. Number of credits

Three credits (U.S. system)

6. Scheduled class meetings

Four teaching hours per week: two 90-minute class meetings per week.

Possible exercise session: one 90-minute meeting per week.

7. Outline

This course of microeconomics is aimed to introduce you to the economic fundamentals that underline working of the market and price formation, profitability, and the distribution of value. Economic fundamentals like costs, market demand, market competition and interaction, and government policies, are critical to strategic pricing decisions, capacity management, new market entry and exit decisions, to name a few. In particular, by the time you absolve this course, you will, among the others, learn how to do several things:

1. How to identify the costs categories that are relevant for critical business decisions such as pricing, capacity abandonment and exit, and new market entry. A typical business's costs fall into numerous categories and mistakes in identifying which of these categories truly matter for the decision at hand can lead to decisions that impair a business's competitiveness and destroy profitability.

2. How to construct simple models of how government interventions shape the determination of prices and the distribution of value in competitive markets. Insight about the impact of government intervention can not only make you a more informed consumer of the business and economic press (which can help you in job interviews!), it can help you spot opportunities for using the institutions in the non-market environment of your business to capture additional value or prevent the capture of value at your expense by others.

3. How the interplay between cost and demand fundamentals determine profit-maximizing pricing decisions in a various market conditions like monopoly, oligopoly, monopolistic

competition and perfectly competitive market. Pricing is one of the most important business decisions and an understanding of the role of economic fundamentals can translate directly into more profitable pricing decisions.

4. How various forms of price discrimination and advertisement can increase monopoly profit. Firms in noncompetitive markets often have substantial power to influence price. In such cases, it can often pay the firm to charge different prices to different groups. For example, movie theaters regularly charge less for admission for senior citizens, students, and youths than for adults.

5. How to represent various strategic interactions between firms in markets as games and how to determine the outcome of such games through equilibrium analysis. Game theory has become a widely used tool by strategic planners, management consultants, and investment analysts, and the construction of simple games can only force the decision maker or analyst to surface and confront hidden assumptions about competition and competitors.

6. How the government can cope with pollution and other externalities. Why market fails in generating public goods? What are common pools and why property rights are so important? The difference between the private and social costs is crucial in understanding the need for the government intervention in the market.

8. Textbook

Perloff, Jeffery, Microeconomics, Pearson, 2011, 6-th edition.