



III Makedonska brigada b.b., Skopje, 1000, Republic of Macedonia  
Phone/Fax: +389 2 2463156, +389 2 2463159, info@uacs.edu.mk, www.uacs.edu.mk

**Course Number: Advanced Microeconomics**

**Semester: Fall, 2011/2012**

**Instructor: Metodij Hadzi-Vaskov**

**Credits: 4 credit hours/ 8 ECTS**

**Contact hours: 24 hours**

**Learning hours: 96 hours**

**Class Hours: Thu, Fri, 18-21; Sat, 09-13**

**Meeting hours: Upon agreement**

**Prerequisite: Microeconomics**

**Required Text:**

1. Varian, H. (2005), *Intermediate Microeconomics: A Modern Approach*, 7<sup>th</sup> ed, W.W. Norton & Company.
2. Varian, H. (1992), *Microeconomic Theory*, 3<sup>rd</sup> ed, W.W. Norton & Company.
3. Akerlof, G. A. (1970), "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism", *Quarterly Journal of Economics*, 84, 488-500.
4. Spence, A. M. (1973), "Job Market Signaling", *Quarterly Journal of Economics*, 87, 355-374.
5. Stiglitz, J. E., and A. Weiss (1981), "Credit Rationing in Markets with Imperfect Information", *American Economic Review*, 71, 393-410.
6. Tversky, A. and D. Kahneman (1981), "The Framing of Decisions and the Psychology of Choice", *Science*, 211, 453-458.

**Additional reading:**

1. Mas-Colell, A., M.D. Whinston, J.R. Green (1995), *Microeconomic Theory*, Oxford University Press.
2. Kreps, D.M. (1990), *A Course in Microeconomic Theory*, Princeton University Press.

**Course description:**

This course provides insights into a number of key topics in modern microeconomics. It outlines the main concepts and provides a rigorous analysis at intermediate and advanced level. Consumer behavior, market equilibrium, market structure, externalities and asymmetric information are some of the topics to be covered in detail. Particular feature of the course is its emphasis on the application and real-life relevance of several key microeconomic concepts.

**Learning objectives:**

- Learn the key concepts of modern microeconomics;
- Learn the key concepts and mechanisms describing consumer behavior;
- Learn the conditions and characteristics of market equilibrium;
- Learn the characteristics of different market structures;
- Learn the concept of asymmetric information.

**Learning outcomes:**

Following this course the students should:

LO1. Understand and apply the basic tools of microeconomic analysis;

LO2. Rigorously analyse consumer behavior and choice;

LO3. Critically assess different types of market structure and market behavior;

LO4. Understand the concept of market equilibrium, its welfare and efficiency considerations;

LO5. Critically assess the relevance of asymmetric information in real-life applications

### **Course delivery:**

Lectures at the beginning of each class will review the main concepts, followed by an in-depth extensive discussion of the topics dealt with in the corresponding chapters. Real-life examples and case-studies will be examined to help students relate them to course material and better understand the key concepts taught.

### **Instructor's expectations from students:**

- Attend class regularly and prepare the chapters before coming to class.
- Contribute to the interactive classes.
- Closely follow the course schedule for home reading.
- Think critically on the issues presented in the classroom.
- Avoid anti-social behavior in College and anti-academic behavior in the classroom (i.e. plagiarism, cheating, etc.)
- Try to interconnect the material taught on related subjects, etc.
- Relate the course material with real-life problems.
- Impose a self – discipline regarding Colleges rules and procedures.

### **Examinations structure:**

- *Exams:* final-term exam will include questions on the theory taught in a form essay and critical thinking questions. Total 40%.
- *Short exercises:* Each class students will get short exercises that reflect on the chapters discussed that have to be handed-in the following class. Total 10%.
- *Class attendance and participation:* Preparation and active participation by students is required. Absence from classes and/or non-participation will be considered as negative aspect. Total 20%.
- *Project and presentation:* Students in groups of two will prepare a critical report on certain topic and deliver a presentation during the last class (26 November). Each group of two will be assigned discussant. Total 30%.

---

## **17.11.2011 Introduction to microeconomics**

### **Market**

- Demand, Supply and Market Equilibrium
- Comparative Statics
- Efficiency

### **Budget Constraint, Preferences, and Utility**

- Consumption bundles
- Budget constraint changes
- Preferences and indifference curves
- Ordinal utility
- Marginal utility

### **Studying material:**

Varian: Chapters 1, 2, 3, 4

---

## **18.11.2011 Choice and Demand**

- Optimal choice
- Demand functions
- Income changes, normal and inferior goods
- Price changes, ordinary, Giffen goods
- (inverse) demand curve

### **Slutsky Equation**

- Decomposition of price changes
-

- 
- Substitution and income effects.

### **Uncertainty and Finance**

- Intertemporal choice
- Asset markets and arbitrage
- Uncertainty, Expected Utility,
- Risky assets and CAPM

### **Studying material:**

Varian: Chapter 5, 6, 8, (10), (11), (12), (13)

---

19.11.2011

### **Consumer surplus**

- Consumer's surplus
- Compensating and equivalent variation

### **Market demand**

- Representative consumer
- Market demand
- Elasticity
- Laffer curve

### **Market equilibrium**

- Market equilibrium
- Deadweight loss
- Efficiency

### **Studying material:**

Varian: Chapter: 14, 15, 16, (19), (20)  
Optional Chapters 19, 20

---

24.11.2011

### **Monopoly and monopolistic behavior**

- Profit maximization
- Price-setters and price-takers
- Patents and natural monopoly
- Price discrimination
- Bundling
- Monopolistic competition

### **Oligopolistic behavior**

- Oligopoly
- Cournot, Bertrand, and Stackelberg equilibrium
- Collusion
- Game theory
- Dominant strategy, Nash equilibrium

### **Studying material:**

Varian: Chapter 24, 25, 27, 28, (29)  
Optional Chapter: 29

---

25.11.2011

### **Welfare, Externalities, and Public Goods**

- Distribution
- Aggregation of preferences
- Social welfare function
- Externalities
- Solutions to externalities
- Public goods

### **Studying material:**

**26.11.2011 Asymmetric information**

- Incomplete information
- Market for 'lemons'
- Signaling
- Adverse selection and rationing

**Studying material:**

Varian: Chapter 37  
Akerlof (1970), Stiglitz and Weiss (1981), Spence (1973), Tversky and Kahneman (1981)

**Presentations and discussions**

---

**CPC Coverage in terms of hours**

- 1) Functional area
  - A Marketing – 0 hour
  - B Business finance – 0 hours
  - C Accounting – 0 hours
  - D Management – 0 hours
- 2) The Business environment
  - A) Legal environment of Business – 1 hours
  - B) Economics – 18 hours
  - C) Business ethics – 0 hour
  - D) Global dimensions of Business – 1 hours
- 3) Technical skills
  - A) MIS/IT computing – 0 hour
  - B) Statistics/Quantitative techniques – 2 hours
- 4) Integrative areas
  - A) Business policy – 2 hours
  - B) Internship – 0 hours

**Assessment:**

*Active participation and attendance-20%, Final Exam-40%, Project and presentation-30%, Short exercises-10%.*

**Exams are closed books.** Also, you use your own calculator and nothing else will be allowed.

**Mobile phones are strictly not tolerated in the class for any use (including computations).** Active participation is meant as the effort and the interest that a student shows in the class, including homework.

After each session students are expected to study all the relevant material, read all the associated exercises, prepare assignment for the next class (if given), identify the difficult points and pose their questions in the next session either directly to me or in the class.

**Grading Criteria**

Grading	%	Quality points
A	96-100	4.00
A-	90-95	3.67
B+	87-89	3.33
B	83-86	3.00
B-	80-82	2.67
C+	77-79	2.33
C	73-76	2.00
C-	70-72	1.67
D+	67-69	1.33
D	63-66	1.00
D-	60-62	0.67
F	0 -59	0.00

**Make-up tests are given in exceptional circumstances.** Cheating and plagiarism in any form will result immediately in the grade F. I assign a grade of (incomplete) only when a student misses the Final exam due to a **College-excused absence**, and is unable to make up before final grades are due to the Record's Office. Please, consider seriously that there will be no exceptions concerning the above policy.

**Class Conduct:** You are responsible for everything that is announced, presented or discussed in class. The way to avoid any misunderstanding associated with this course is to attend class. You are expected to

attend class and I do keep attendance records. **The class starts promptly at the scheduled time.** I find late arrivals distracting, which cause a decline in the quality of my lecture.

Importantly, it is also disruptive to your colleagues. I accept students **only up to five minutes late for the first class in a day.** Please, refrain from talking during class, it is disruptive to your colleagues and the lecture. I expect the best behavior from all of you. This is what education is all about. If you have a question about the material, please don't hesitate to ask me; answering questions is part of my job. If you are lost or confused, your question may help clarify the topic. Please, consider that **the language of instruction is English, so all our conversation into the class must be in this language.**

Class participation and an active intellectual engagement are not only expected but required. Students will deliver their class presentations on the discussion topics. As a final examination students will complete a comprehensive written test. The written test will discuss the material covered in the course readings, reading questions and case studies.

**Keep in mind the following:**

C- or better is required to use a course either as a prerequisite or as a major requirement.

G.P.A. (Grade Point Average): is computed for each student using the quality points earned for each course taken. A G.P.A of at least 2.0 is required for transfer and to graduate from ACS.

I wish you an interesting and creative academic semester.

**Academic Honesty**

The American College Skopje has its personal integrity which is presumed to be sufficient assurance in academic matters one's work is performed honestly and without unauthorized assistance. Undergraduate students, by registration, acknowledge the jurisdiction of the Honour System.

Plagiarism and cheating are serious offences and may be punished by failure on the exam, paper or project; failure in the course; and/or expulsion from the faculty. Individuals are prohibited from selling or being paid for taking notes in any form (written, electronic, or otherwise) during this course to or by any person or commercial firm without the express written permission of the professor teaching this course.

**Late Work:**

Many reasons are given for late work (e.g., flat tires, printer problems, illness, oversleeping, etc.). No matter what the reason, the bottom line is that either (a) the work was completed and turned in when required or (b) the assignment was not completed and turned in when required.

As specified earlier, assignments are due in class at the beginning of class on the specified due date. There is NO PROVISION for late work on any assignment (i.e., late work is not accepted). I also strongly recommend having backup systems in place so that you can have all work completed on schedule. Having your work completed on schedule is a key to early success in your business career.

NOTE: Late submissions are not accepted. Partial credit will NOT be given for late work.

**Approved by: Nikica Mojsoska; Marjan Petreski**

**Date: 11/2011**