Content

Course Code	Course Name	Semester	Theory	Practice	Lab	Credit	ECTS
EC 501	Microeconomics	2	3	0	0	3	6

Prerequisites	
Admission Requirements	

Language of Instruction	Turkish
Course Type	Compulsory
Course Level	Masters Degree
Objective	This course aims to provide a theoretical background that can be useful for microeconomic analysis of financial markets. First, the course starts with an introduction to strategic decision making and then follows with the analysis of decision making under uncertainty and the role of information in the markets are examined.
Content	The course extends the individual decision-making problem studied in undergraduate economics using two dimensions: the behaviour in strategic interactions, then under uncertainty and asymmetric information.
References	Allais, M. (1953). Le comportement de l'homme rationnel devant le risque: critique des postulats et axiomes de l'école Américaine. Econometrica. 21(4): 503-546. Angrist, J.D. & Pischke, J.F. (2014). Mastering Metrics: The Path from Cause to Effect. Princeton University Press. Arrow, K.J. (1965). The theory of risk aversion, in Aspects of the Theory of Risk Bearing, by Yrjo Jahnssonin Saatio, Helsinki. Reprinted in: Essays in the Theory of Risk Bearing, 90-109. Autor, D. (2016) 14.03 Microeconomic Theory and Public Policy. Fall 2016. Massachusetts Institute of Technology: MIT OpenCourseWare, https://ocw.mit.edu. License: Creative Commons BY-NC-SA. Banerjee, S. (2014) Intermediate Microeconomics: A Tool-Building Approach. 1st ed. Routledge. Bernoulli, D. Originally published in 1738; translated by Dr. Louise Sommer. (January 1954). Exposition of a New Theory on the Measurement of Risk. Econometrica. The Econometric Society. 22 (1): 22-36. Bierman, H.S. & Fernandez, L.F. (1998) Game Theory with Economic Applications, Second Edition, Addison Wesley. Fudenberg, D. & Tirole, J. (1991). Game Theory, MIT Press. Kahneman, D. & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. Econometrica. 47(2): 263-291. Koçkesen, L. & Ok, E.A. (2007). An Introduction to Game Theory. Matthew, R. (2000). Risk Aversion and Expected-Utility Theory: A Calibration Theorem. Econometrica. 68 (5): 1281-1292. von Neumann, J. & Morgenstern, O. (1953) [1944]. Theory of Games and Economic Behavior (Third ed.). Princeton, NJ: Princeton University Press. Pratt, J.W. (1964). Risk Aversion in the Small and in the Large. Econometrica. 32 (1-2): 122-136. Shy, O. (1996) Industrial Organization: Theory and Applications, The MIT Press.

Theory Topics

Week	Weekly Contents
1	Introduction to game theory and examples
2	Dominance and rationalizability: examples
3	Nash equilibrium: examples and comparison
4	Uncertainty-Expected utility theory: examples and axioms
5	Insurance demand: equilibrium in the insurance market
6	Insurance market mechanisms
7	Midterm
8	Asymmetric information: adverse selection
9	Asymmetry information: signalling
10	Education: human capital model and signalling model
11	Network externalities

Week	Weekly Contents
12	Competition and market structures
13	Presentation