Study program: Business Economics and Finance	
Course name: Microeconomic Analysis and Strategy	
Teacher(s): Ivana J. Brkić	
Course status: Required	
Number of ECTS credits: 8	
Requirement: Enrollment	

Aim of the course

As partial and general economic balance are based on a series of strategic decisions, the aim of the course is to enable students to acquire knowledge of the basic tools for creating strategies from a microeconomic perspective (from bottom to top).

The instruments of microeconomic analysis will explain the strategic behavior of economic agents in different market structures in order to make an optimal decision based on the set (market) conditions. Using game theory, students will analyze the strategies of competing solutions of economic entities that make their choices based on their own preferences / utility / interests in interaction with other market participants. The idea of the course is to raise awareness of why managers need an economic strategy at the micro level, and to explain how strategic behavior shapes the competitive scene based on innovation, entrepreneurship, and social progress.

Course outcome

After passing the exam, students will be able to:

Understand the strategic steps that lead to the achievement of a particular outcome, and acquire the ability to create a new strategic solution when faced with a different problem;

Understand the theoretical and empirical methods for making strategic economic decisions familiar with all the consequences they entail;

Determine the optimal strategy for each participant in a certain situation;

Conduct a mathematical analysis of simple examples for understanding abstract concepts;

Understand the logic of strategic situations and, based on this, students will be able to interpret why people behave in certain ways and, based on the information provided, to predict future moves and events;

Understand basic concepts at a sufficiently high level to analyze and address new situations in practice;

Course content

Theoretical classes

Modern market behavior strategies. The theory of rational choice of consumers and the theory of utility. Market, market forms and market structures. Market failures. Complete information and imperfect information. Markets of imperfect and monopolistic competition. monopolistic market strategy. Types of monopolies. Monopoly revenues. Short-term profit maximization and long-term balance in monopoly. Market strategies of monopolists amidst potential competition. Monopolistic competition – short-term and long-term balance. Oligopoly markets: characteristics and types of oligopoly models. Pricing strategies for oligopoly enterprises. Defining strategy as the most important concept of game theory. Defining the basic concept of game theory. The history of game theory. Division of games: cooperative games, non-cooperative games, games with combined motives; games of chance, strategy games; games with one, two or an arbitrary number of players; finite and infinite games depending on the number of possible strategies; games with complete and games with incomplete information. Nash's balance. Pareto optimum. The application of game theory in strategic decision-making. Game theory and the economics of cooperation. Market structures and game theory. Game theories with one participant (monopoly, monopsony), two (duopoly, duopsony) or more (oligopoly, oligopsony) of market participants. The application of game theory to the market of monopolistic competition, The application of game theory to the case of oligopoly - the prisoner's dilemma. The prisoner's dilemma and the well-being of society.

Practice hours: Case studies, solving tasks, discussions.

Reading materials/Literature

Required: Varijan, H. (2021). *Mikroekonomija*, Belgrade: Center for publishing activities of the Faculty of Economics in Belgrade.

Mankiw, G. (2021). *Principles of Microeconomics (Eighth Edition)*, Stamford: Cengage Learning.

Stiglitz, J., Guzman, M. (Eds.). (2016). *Contemporary Issues in Microeconomics*. International Economics Association, Conference volume No. 155 III, UK; - Palgrave Macmillan

Recommended:

Snyder, C., Nicholson, W., & Stewart, R. (2015). *Microeconomic theory: Basic principles and extensions,* Andover: Cengage Learning.

Watson, J. (2013). *Strategy: an introduction to game theory (third edition)*. New York: WW Norton & Company, Inc.

Sagi, A., & Pataki, E. (2014, September). The application of the game theory on microeconomic problems illustrations. In Szakál, A. (Ed). *Intelligent Systems and Informatics (SISY), Proceedings of 12th International Symposium* (pp. 193-196). Budapest : IEEE.

Number of teaching hours	**Theoretical classes: 3x15 = 45**	**Practice hours:2x15 = 30**

Teaching methods

Lectures - auditory, interactive exercises - case studies, home assignments, class discussions

Evaluation of knowledge (maximum number of points: 100)			
Pre-exam obligations	**Points**	Final exam	*Points*
Active participation in class	**10**	Written exam	
Practical hours	**20**	Oral exam	*30*
Preliminary exams I and II	**40** (20 + 20)	....	