Advanced Microeconomics II (E441)

Frank Stähler

M.Sc. in Economics/ International Economics/ Economics and Finance
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1 Aims and purpose of the course

This course continues the course "Advanced Microeconomics I" that is compulsory for the Master program in Economics. You are expected to have successfully completed "Advanced Microeconomics I". In this course, we deal with deviations from the idealistic view of perfect competition models in allowing for market power and asymmetric information. Market power leads to environments where agents must think strategically, since what they do is of importance for their rivals who will respond. If all agents think strategically, we arrive at strategic interaction, which we shall analyze using methods of game theory. We shall also describe how optimizing firms and households respond to situations of limited and asymmetric information.

2 Readings

This course will follow parts of two textbooks:

- Andreu Mas-Colell, Michael D. Whinston and Jerry R. Green, *Microeconomic Theory*, New York and Oxford: Oxford University Press, 1995 (already used in "Advanced Microeconomics I").
- Vijay Krishna, *Auction Theory*, Amsterdam, Academic Press, 2010.

All chapters in the outline section refer to these textbooks, referred to as MWG or Krishna, respectively, below.

3 Organization

In general, this is a course with 4 contact hours that will be spread flexibly across lectures and tutorials. Lectures and tutorials will be held on Mondays from 16:45 until 17:45 in room E03 and on Tuesdays from 10:15 until 11:45 in room E07, both in Mohlstraße 36. **The first lecture will take place on Tuesday, April 21.**

4 Outline

1. Choice under uncertainty (MWG, chapter 6)
2. Simultaneous-move games (MWG, chapter 8)
3. Dynamic games (MWG, chapter 9)
4. Market power (MWG, chapter 12)
5. Adverse selection, signaling and screening (MWG, chapter 13)
6. The principal-agent problem (MWG, chapter 14)
7. Private Value Auctions (Krishna, chapter 2)
8. Auctions with Interdependent Values (Krishna, chapter 6, time permitting)

5 Tutorials

We will discuss three problem sets that are uploaded to ILIAS. The timing of this tutorial will be held flexible, and a final tutorial on July 21 will be a Q&A session that will deal with your questions.

6 Forum

There is a forum on ILIAS that allows you to discuss questions you may have with other students and with me. Please see the forum rules on ILIAS. Note that the forum will be used from July 14 to July 17 for your questions for the Q&A tutorial on July 21.

7 Assessment

The maximum number of marks you can earn in the final 120-minute exam is 120. The date of the exam will be set by the Examination Office. The exam will be an open book exam, meaning that you are allowed to use any resources except communicate with third parties.

Additionally, I will offer a 60 minute mid-term exam on June 2 during class time. This mid-term exam is not compulsory, and you can earn 20 bonus marks which will be added to the final exam. The mid-term exam exam will also be an open book exam, meaning that you are allowed to use any resources except communicate with third parties. You will have to register for the mid-term exam until June 1, 18:00, by email to frank.staehler@uni-tuebingen.de with the subject line "E441 Midterm exam registration". Please bring your student ID to the exam.

8 Registration

To register, please send me an email to frank.staehler@uni-tuebingen.de with the subject line "E441" and I will email you the registration password for ILIAS. This registration process makes sure that I will have your email addresses and can contact you also if ILIAS is down for some reason. All material (course outline, slides, etc.) will be uploaded on ILIAS (see `https://ovidius.uni-tuebingen.de/ilias3/`).

Registration will be open on April 1.

9 Contact details

Frank Stähler
Department of Economics
School of Business and Economics
Mohlstr. 36, room 404
University of Tübingen
frank.staehler@uni-tuebingen.de