31E11100 - Microeconomics: Pricing

Pauli Murto

Aalto University

Course overview and practicalities

Contents

- Objectives of the course
- Topics to be covered
- Requirements and grading

Objectives of the course

1. Understand and learn to analyze different pricing strategies
   - For different types of products
   - In different market situations

2. Learn to utilize formal modeling in economic analysis and argumentation more generally
   - Typical lecture introduces one model framework and draws conclusions using that
   - Solving exercises to develop modeling skills

3. Learn how the tools of modern microeconomic theory are applied
   - Game theory
   - Information economics

4. Learn to connect theory to applications
   - Reading assignments, (case assignment)

Topics to be covered in the course

- Part 1: Prices in competitive markets
  - ▶ Partial equilibrium and welfare analysis
  - ▶ Search frictions and price dispersion
- Part 2: Pricing strategies of a monopoly
  - ▶ Price discrimination
  - ▶ Bundling
  - ▶ Price signalling
- Part 3: Dynamic pricing strategies
  - ▶ Durable goods monopoly
  - ▶ Pricing experience goods
  - ▶ Peak-load pricing, advance booking
- Part 4: Market design and auctions
  - ▶ Different auction formats
  - ▶ Auction design: reserve prices, collusion, set asides
  - ▶ Price formation in large auctions

Requirements and grading

- Reading assignments (20% of the grade)
- Exercises (20% of the grade)
- Exam (60% of the grade)
- Case assignment can be used to compensate for missing reading assignments (max 20% of the grade)

Reading assignments (20% of the grade)

- One small assignement for each week
- Submit *on paper and in person* at the beginning of Wednesday's lecture
- Be prepared to participate in discussion about the assignment
- Out of 6 assignments, 5 is enough for full points

Exercises (20% of the grade)

- The course has three exercise sessions (Friday of the 2nd, 4th, 6th week)
- For each session, there is a problem set
- Submit your answers before the session
- TA Eero Mäenpää will discuss the problems and solutions in the session

Case assignment (only to compensate for missing reading assignments)

- Analyze some real pricing application
- Ask for instructions from the teacher
- Return your report by October 22

Exam (60% of the grade)

- Based on the material of the lectures and exercise sessions
- October 18