Economics 642: Microeconomics II  
Syllabus UNCG Spring 2007

INSTRUCTOR  
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Office Hours: By appointment or open door.

COURSE LOCATION AND TIMES  
| January 9-February 27 | TTh 9:00-10:50 |
| February 6          | Midterm exam 8:00-10:50 |
| February 20         | Writing project due. |
| March 1             | Final exam 8:00-10:50 |
All sessions in Bryan 110.

COURSE DESCRIPTION  
This course provides a continuation of the earlier course in microeconomic theory for  
MA students in applied economics. While the earlier course dealt with basic price theory  
and market “successes”, this course will mainly cover market failures. In particular, we  
will add market power, uncertainty, asymmetric information, externalities and public  
goods to the earlier models and analyze whether or not the basic properties of competitive  
markets continue to hold.

TEXTBOOK  
There is one required text for this course: Microeconomic Theory: Basic Principles and  
Extensions, ninth edition, by Walter Nicholson. The accompanying Study Guide is also  
recommended.

GRADING  
At the MA level, grades are less important than whether or not you learn the material  
necessary for your professional careers. However, for feedback and as a commitment  
(motivational) device, I will be assigning grades for this course. The grades will be  
determined by homework assignments (10%), a writing project (20%), one midterm  
exam (30%), and an in-class final exam (40%).

LEARNING RESOURCES  
In the working world, you will use all available resources to solve problems. Similarly,  
you should use all available resources (e.g., other textbooks, the internet, your  
classmates) to help you learn microeconomics. In particular, group work is allowed and  
even encouraged for the homework assignments. However, for the exams
SPECIFIC COURSE LEARNING OBJECTIVES
Upon successful completion of this course, students will be able to:

1. Describe monopoly formation, maintenance, and pricing.
2. Compare and contrast first- second- and third-degree price discrimination.
3. Apply Cournot and Bertrand models of oligopoly to analyze inefficiencies of imperfect competition.
4. Critique traditional models of imperfect competition.
5. Apply the concept of Nash equilibrium to solve simple games.
6. Explain the Prisoner’s Dilemma game and its importance to economics.
7. Discuss the importance of entry in long-run models of imperfect competition.
8. Contrast the game theoretic and traditional models of entry.
9. Explain decision making under uncertainty when agents obey the von Neumann- Morgenstern axioms.
10. Apply the concept of risk aversion to explain the market for insurance.
11. Explain moral hazard and adverse selection.
12. Discuss the market failure associated with asymmetric information.
13. Describe the importance of externalities and public goods and some mechanisms for correcting the resulting market failures.
14. Apply a social welfare function to show the optimal allocation in an Edgeworth box diagram.
15. Explain the Arrow impossibility and median voter theorems.

COURSE OUTLINE

A. Week 1: Monopoly (Chap. 13)
B. Week 2: Traditional models of competition (Chap. 14)
C. Week 3: Game theory (Chap. 15)
D. Week 4: Uncertainty (Chap. 18)
E. Week 5: Information (Chap. 19)
F. Week 6: Externalities and Public Goods (Chap. 20)
G. Week 7: Political economics (Chap. 21)
H. Week 8: Capital markets (Chap. 17)