

Economics 642: Microeconomics II

Syllabus UNCG Spring 2009

INSTRUCTOR

Dr. Stephen Holland, Room 465, Bryan Building
Email: sphollan@uncg.edu, Telephone: 334-4925,
Office Hours: WF 11 am -12 pm or by appointment

COURSE LOCATION AND TIMES

January 20- March 19	TTh 9:00-10:40
February 12	Midterm exam 8:00-10:50 ??
March 17	Writing project due.
March 19	Final exam 8:00-10:50 ??

All sessions are in Bryan 110.

COURSE DESCRIPTION

This course provides a continuation of the earlier MA course in microeconomic theory. 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

The required text for this course is: *Microeconomic Theory: Basic Principles and Extensions*, tenth edition, by Walter Nicholson & Christopher Snyder. The *Study Guide* is also recommended.

Please read the assigned chapters at least twice before coming to class. The first reading can be a 10 minute skim of the main ideas of the chapter. I recommend sketching an outline. After the second reading (less than 1 hour), you should be able to briefly describe each of the main ideas of the chapter. After class you should read the chapter a third time focusing on any material you may have missed and working through some of the examples in detail. This will be your longest and most thorough reading of the material. You will also want to read the material again before any exams.

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. For exams, you will be required to work alone.

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: 1/20-1/22. Uncertainty and Information (Chap. 1 p. 64-74, Chap 7 all)
- B. Week 2: 1/27-1/29. Strategy and Game Theory (Chap. 8)
- C. Week 3: 2/3-2/5 Monopoly (Chap. 14)
- D. Week 4: 2/10-2/12 Loose ends, review, and midterm exam.
- E. Week 5: 2/17-2/19 Imperfect Competition (Chap. 15)
- F. Week 6: 2/24-2/26 Asymmetric Information (Chap. 18)
- G. Week 7: 3/3-3/5 Externalities and Public Goods (Chap. 19)
- H. Spring Break
- I. Week 8: 3/17-3/19 Loose ends, review, and final exam.