



# ST. FRANCIS XAVIER UNIVERSITY ECONOMICS

## ECON 301 Intermediate Microeconomic Theory II

**J. ROSBOROUGH**

**WINTER 2020**

**Office:** MH 3063

**Email:** jrosboro@stfx.ca

### **Office Hours**

Mon 2:15pm – 3:30pm

Wed 12:45pm – 2:00pm (or by appointment)

### **Lectures (MH 3034)**

Mon 12:45pm – 2:00pm

Wed 11:15am – 12:30pm

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### **Description of the Course**

This course builds on the basic competitive model to consider the causes and consequences of market power. Following Econ 201, the emphasis of this course is again on the concepts of constrained optimization and equilibrium but we relax many of the assumptions present in perfectly competitive markets. That is, how are pricing and production decisions made when an industry is dominated by one or two firms, and what are the consequences for efficiency? How can we predict behaviour when decisions are interdependent and individuals act strategically, or when they don't have perfect information? Although we will develop some new tools as the course progresses, the emphasis of this course is on application and connecting what you have learned so far to the real world.

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**REQUIRED TEXTBOOK:** None

### **SUPPLEMENTARY BOOKS**

*Microeconomics*, by Besanko and Braeutigam (John Wiley & Sons Inc., 2<sup>nd</sup> or Later)

*Intermediate Microeconomics*, by Hal R. Varian (W.W. Norton & Co., 6<sup>th</sup> ed, 2003)

*Microeconomics*, by Jeffrey M. Perloff (Pearson Education, 5<sup>th</sup> edition, 2009)

## COURSE OUTLINE



### 1. General Equilibrium Theory

*General Equilibrium: Efficiency and Equity; Fundamental Theorems of Welfare Economics; Social Choice*

### 2. Market Power and Monopoly

*Barriers to Entry; Monopoly and Profit Maximization; Elasticity and Pricing Decisions; Welfare in Monopoly Markets*

### 3. Price Discrimination

*First Degree Price Discrimination; Two-Part Pricing Schemes; Bundling; Market Segmentation & Applications*

### 4. The Theory of Oligopoly

*Cournot and Bertrand Competition; Stackelberg Leadership; Horizontal and Vertical Product Differentiation; Spatial Competition*

### 5. Introduction to Game Theory

*Nash Equilibrium; Mixed Strategies; Repeated Games; Dynamic Games; Applications*

### 6. Choice Under Uncertainty

*Lotteries and Probabilities; Expected Utility and Risk Aversion; The Demand for Insurance; Moral Hazard & Adverse Selection; Cooperatives and Risk-Sharing*

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## Evaluation

Your grade for the course will be determined by the following weighting scheme:

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|----------------------|--------------------------------|-----|
| • Problem Sets (4):  | Throughout term                | 20% |
| • Midterm Exam:      | Wednesday Feb 12 <sup>th</sup> | 30% |
| • Final Examination: | TBA by Registrar               | 50% |

## Classes & Exams

You are expected to attend all lectures and the midterm will be scheduled during class time. The final exam for the course is cumulative and will cover material from the whole term.

## Problem Sets

You are free to work with other students on the problem sets, and submit your answers in groups of 1, 2 or 3. Problem sets must be submitted at the start of the lecture in which they are due. Late problem sets will not be accepted and will receive a mark of zero.

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