ST. FRANCIS XAVIER UNIVERSITY
ECONOMICS

Econ 301
Intermediate Microeconomic Theory II

J. ROSBOROUGH   **WINTER 2017**

Office: NH 507 Nicholson Tower   **Email**: jrosboro@stfx.ca

Office Hours   **Lectures**
Mon 11:15am – 12:30pm   Mon 12:45pm – 2:00pm
Wed 12:45pm – 2:00pm (or by appointment)   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.

REQUIRED TEXTBOOK: None

SUPPLEMENTARY BOOKS

Microeconomics, by Besanko and Braeutigam (John Wiley & Sons Inc., 2nd or Later)

Intermediate Microeconomics, by Hal R. Varian (W.W. Norton & Co., 6th ed, 2003)

Microeconomics, by Jeffrey M. Perloff (Pearson Education, 5th 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
Monopoly and Profit Maximization; Elasticity and Pricing Decisions; Welfare in Monopoly Markets

3. Price Discrimination
First Degree Price Discrimination; Quantity Discounts; Bundling; Market Segmentation

4. The Theory of Oligopoly
Cournot and Bertrand Competition; Stackelberg Leadership; Horizontal and Vertical Product Differentiation

5. Introduction to Game Theory
Nash Equilibrium; 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:
- Problem Sets (4):   Throughout term   20%
- Midterm Exam (1):   Wed. February 15th   30%
- Final Exam (1):   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 <u>cumulative</u> 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.