

University of Nottingham Malaysia Campus

School of Economics

Micro Economics Theory

Module Outline Autumn 2011

Module Code	L12302
Credits	20

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Lectures	12
Tutorials	6

Module description & content

This module will be concerned with fundamental and applied aspects of microeconomic theory. The aim is to further develop and build upon the microeconomics you considered in the first year. This will involve introducing new microeconomic concepts and returning to concepts with which you should be familiar from the first year, but examining them in greater depth. We will examine some modern approaches to microeconomic analysis by addressing aspects of game theory. In particular, major concern will lie with the application of game theoretic models to issues in modern industrial organization. Finally, we will return to welfare economics and develop a general equilibrium model of the economy and employ it to analyze the issue of Pareto efficiency.

Topics

1.

Choice under Uncertainty

(Varian Ch. 12, Schotter Ch. 6 and 7)

- Expected Utility Theory
- Risk Attitudes
- Insurance

2.

Game Theory

(Schotter Ch. 11, Varian Ch. 28 and 29)

- Normal form games, dominant strategies, dominance solvability, Nash equilibrium
- Mixed strategies
- Games with a continuum of strategies: best response functions and calculus
- Extensive form games/ subgame perfect Nash equilibrium
- Repeated games

3.

Market Structure

a.

Monopoly

(Schotter Ch. 17)

- Linear pricing (Varian pp. 424-431)
- Coase Conjecture (Carlton-Perloff Ch. 15)

b.

Oligopoly

- Cournot (Schotter, pp. 454-472 and 482-485, Carlton-Perloff, pp. 157-166, 184-5)
- Bertrand (Schotter, pp. 472-476, Carlton-Perloff, pp. 166-172)
- Product differentiation (Carlton-Perloff Ch. 7)

- Cartels and mergers (Schotter pp. 476-478 and 485-487, Carlton-Perloff, Ch. 5)
- Consumer search (Carlton-Perloff, pp. 431-441)

4.

General Equilibrium

(Schotter Ch. 21)

- Edgeworth box (Varian pp. 565-577)
- Welfare theorems (Varian pp. 578-590)

5.

Public Sector

(Schotter Ch. 24 and 25, Varian Ch. 34 and 36)

- Externalities, Pigouvian tax, Market and Coasian solution
- Public goods, voting, demand revelation

6.

Behavioural Economics

(Varian Ch. 30)

Aims and objectives

The specific aims of the module are as follows:

- To build upon the microeconomics you encountered in year 1. The module will contribute to core knowledge and skills employed during year 3.
- To develop analytical skills by employing standard diagrammatic analysis and reference to the underlying mathematical techniques.

At a more general level the module will engender an understanding that microeconomic analysis is not merely a collection of facts and theory, but rather should be thought of as a 'tool-box' which can be employed in a coherent and worthwhile manner to address a broad variety of very real economic issues. By the end of the module you will be able to demonstrate an in-depth understanding of the specific microeconomics topics considered in the module. You will also be able to demonstrate in-depth understanding of the role and nature of economic theory and modeling within the broader discipline of economics. This will be complemented by the further development of your skills in identifying appropriate techniques for solving particular problems and, more generally, critical analysis.

The learning outcomes are such that students will be able to:

Knowledge and Understanding:

A1 - Demonstrate a broad knowledge of core areas of economics

A3 - Show understanding of analytical methods, both theory- and model-based.

Intellectual Skills:

B2 - work with abstract concepts and in a context of generality

B3 - reason logically and work analytically

Professional / Practical Skills:

C2 - select and apply appropriate techniques to solve problems

Transferable Skills:

D3 - analyse and solve complex problems accurately

Module downloads

Lecture slides and other material for this module can be found on WEBCT.

Lectures and tutorials

Week	2	3	4	5	6	7	8	9	10	11	12	13
Beginning	26/9	03/10	10/10	17/10	24/10	31/10	07/11	14/11	21/11	28/12	05/12	12/12
Lecture topics	1	1	2	2	2	2	3	3	4	5	6	
Tutorials topics		1		2		2		3		4		5,6

Tutorials are **compulsory** and will be held once a fortnight. The aim of the exercises is to consolidate the material presented in lectures and contained in the course reading.

Module Assessment

A 2 hour written exam assessed at the end of Semester One.

Previous Examination Papers and Feedback for all modules can be viewed online in the Portal but are restricted to registered students only. A password may be required to access this material.

Module Texts

There are several good intermediate microeconomics textbooks. Recommended course texts are:

- Schotter, A. Microeconomics: A Modern Approach , South-Western Cengage Learning.
- Varian, H. R. Intermediate Microeconomics, Norton, 7th edition.

The following books are useful for some topics:

- Carlton , D. and Perloff, J. Modern Industrial Organization, Addison Welsley.
- Frank, R. H., Microeconomics and Behavior, McGraw Hill.