

THE UNIVERSITY OF THE WEST INDIES, MONA
**ECON2001: Intermediate
Microeconomics II**

Semester II, 2014-15

Lecturer: Kimoy Sloley
Office Hours: Mondays 1-3pm, Wednesdays 1-2pm and 4-6pm
Pre-requisites: ECON2000

Description

This course is an advanced course in microeconomic theory. During the semester, we will relax some of the very strong assumptions of perfect competition in both the input and output markets. This will lead us to make comparisons, between these new types of equilibrium conditions and those we have learnt are associated with perfect competition. You will need to re-familiarize yourself with differential calculus, as you will be expected to work with functional forms representing the new types of markets and to derive equilibrium outcomes from them.

Learning Outcomes

Upon successful completion of the course, the student should be able to:

- State the assumptions of perfect competition
- Graphically set up the implied quantity and price outcomes in a perfectly competitive market and firm
- Relax the assumption of freedom of entry, define the resultant market as monopoly and analyse the new implied equilibrium quantity and price
- Compare the monopoly outcome and the perfectly competitive outcome
- Determine the emergence of deadweight loss and the changes in both consumer and producer surplus from these changes
- Relax the assumption of many buyers in the factor market and define the resultant market as monopsony
- Analyse the new implied equilibrium quantity demanded and supplied of the factor and the equilibrium factor price
- Compare the monopsony outcome and the perfectly competitive outcome
- Relax the assumption of many firms and homogenous goods and define the resultant market as monopolistic competition
- Analyse the new implied equilibrium quantity demanded and supplied of the product and the equilibrium price
- Compare the monopolistically competitive outcome and the perfectly competitive outcome

- Relax the assumption of many firms (the good may or may not be homogenous) and define the resultant market as oligopoly
- Define equilibrium concepts under Oligopoly of:
 - Nash
 - Cournot
 - Collusive
 - Monopoly
 - Stackelberg
 - Bertrand
- Compare the oligopoly outcome and the perfectly competitive outcome
- Consider the implications of a market with two firms
- Analyse the new implied equilibrium quantity demanded and supplied of the product and the equilibrium price
- Compare the duopoly outcome and the perfectly competitive outcome
- Define market failures: externalities, public goods and asymmetric information
- Write down models that provide for their correction/reduction
- Compare the outcome under market failures and the perfectly competitive outcome
- Discuss the benefits and challenges of government intervention
- Analyse and solve both simultaneous-moves and sequential-moves games and will be familiarized with different solution concepts like minimax, Nash equilibrium, dominant strategy equilibrium, Subgame perfect equilibrium, etc.

Modes of Delivery

Two lecture hours and one tutorial hour per week. Problem sets (not for grading) will be provided for practice at problem solving.

Assessment

A mid-semester examination (30%), 4 quizzes (5% each) and a comprehensive final examination (50%).

Syllabus

Perfect Competition (review)

- Definition
- Graphical Representation and Solution
- Efficiency

Monopoly

- How they arise
- Graphical Implications
- Identifying the Solution
- DWL
- Consumer and Producer Surplus

- Price Discrimination
- Multi-Plant Monopolies
- Comparison with Perfect Competition

Monopsony

- How they arise
- Graphical Implications
- Identifying the Solution
- DWL
- Consumer and Producer Surplus
- Comparison with Perfect Competition in the Factor Markets

Monopolistic Competition

- How they arise
- Graphical Implications
- Identifying the Solution
- DWL
- Consumer and Producer Surplus
- Comparison with Perfect Competition

Oligopoly

- How they arise
- Graphical Implications
- Identifying the Solution – new Equilibrium concepts
- DWL
- Consumer and Producer Surplus
- Duopoly
- Comparison with Perfect Competition

General equilibrium & Market Failures

- Externalities
- Public Goods
- Asymmetric Information
- Comparison with Perfect Competition

Government Intervention

- Theory
- Aim
- Difficulties with Regulation

Game Theory

- Theory
- Simultaneous and Sequential moves (Games)
- Pure and Mixed strategies

Resources

Prescribed

Varian, Hal, Intermediate Microeconomics, Norton, 7th Edition

Recommended

Pyndyck and Rubenfield, Microeconomics (Any Edition)