

# THE UNIVERSITY OF THE WEST INDIES, MONA

## ECON2001

### Intermediate Microeconomics II

Pre-requisite: ECON2000

Lecturer: Christine Clarke, Phd

Pre-requisites: Econ2000

Office Hours: Tues and Wednesday 10 – 12 noon or by appointment (Detailed questions to be submitted prior to session to reduce delays in the session)

E-Consultation: Anytime (response rate will vary)

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## Description

This course is an intermediate course in microeconomic theory. During the semester, we will relax some of the very strong assumptions of perfect competition studied in ECON2000 in both 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 use formal calculus and other mathematical tools to:

- 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
- Analyse the new implied equilibrium quantity demanded and supplied of the factor and the equilibrium factor price
- 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, face to face. Problem sets (not for grading) will be provided for practice at problem solving.

## Assessment

Item	Tentative Dates	Weight
Two (2) Quizzes <i>10 – 15 multiple choice questions</i>	Feb 18, April 13	(10% each)
One (1) Mid-semester Examination <i>20 - 30 multiple choice questions.</i>	Mar 16 (PROPOSED Check against Examinations Timetable)	(35%)
Final Examination <i>30 - 50 multiple choice questions.</i>	TBA	(45%).
<b>TOTAL</b>		100

## Syllabus

Perfect Competition (Brief review) (Unit 1)

- Profit Maximization at Perfectly Competitive Markets
- Marginal Revenue
- Marginal Cost
- Short-Run Supply Curve
- Long-Run Profit Maximization

- Industry's Long-Run Supply Curve.

#### Monopoly (Unit 2)

- How they arise
- Graphical Implications
- Identifying and formally computing the Solution
- DWL
- Consumer and Producer Surplus
- Price Discrimination
- Multi-Plant Monopolies
- Comparison with Perfect Competition

#### Monopolistic Competition (Unit 3)

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

#### Oligopoly (Unit 4)

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

#### Game Theory (Unit 5)

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

#### Market Failures & Government Intervention (Unit 6)

- Externalities
- Public Goods
- Difficulties with Regulation

## Resources

### Prescribed

Pyndyck and Rubenfield, Microeconomics (Any Edition)

### Recommended

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

## Student Responsibility (Updated)

Your regular attendance at lectures and participation in tutorials is expected. All communication about this course will be made through the OurVLE course site and/or your official email provided by the University. Announcements made via OurVLE and your official email are deemed to be made to the entire class. As far as possible, lectures and tutorials will be prerecorded and on the BBC portal for you the weekend before your lecture. You are required to use these recordings to study and prepare for the live sessions that will be held during the regular lecture and tutorial time where supplementary questions and discussions may occur to reinforce the material in the pre-recorded sessions.

<b>Weeks</b>	<b>Beginning date</b>	<b>Units</b>	<b>Readings (PR*)</b>
1	19/01/2021	Unit 1	Chapter 8
2	26/01/2021	Unit 1/2	Chapter 8/10
3	02/02/2021	Unit 2	Chapter 10/11
4	09/02/2021	Unit 2	Chapter 11
5	16/02/2021	Unit 3	Chapter 12
6	23/02/2021	Unit 3/4	Chapter 12
7	02/03/2021	Unit 4	Chapter 12
8	09/03/2021	Unit 4	
9	16/03/2021	Midterm Exam ( tentatively)	Chapter 12
10	23/03/2021	Unit 5	Chapter 13
11	30/03/2021	Unit 5	Chapter 13
12	06/04/2021	Unit 6	Chapter 18
13	13/04/2021	Review/Class presentations	