

**Econ 221: Intermediate Microeconomics 2**  
**Department of Economics Lent Term 2013-2014**

Course Director: Professor Dakshina G. De Silva

Course Lecturers:

Lent Term: Professor Dakshina G. De Silva (12 hours)  
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&  
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Revision sessions will be held in the Summer Term weeks 21-23.

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### **Course Description**

The course explores the decision making of economic agents (consumers and firms). It also examines how different market mechanisms operate to allocate resources. The topics it covers include market structures, externalities, information economics, and public goods.

### **Course Aims and Objectives**

This course is about Microeconomic Theory and its use in the analysis of contemporary policy problems. In the process, we will need to build a solid understanding of the operation of markets. While newspapers provide daily reminders of the movement of many economies toward market rather than government control of allocation, many policymakers continue to press for increasing government intervention. Our goal will be to develop a set of tools, a methodology that will allow reasoned and consistent analysis of markets. In order to reach this level of understanding, we must focus on how markets arrive at equilibrium outcomes. This requires a construction of optimal behavior by both consumers and producers, as well as the characteristics of the marketplaces in which they interact.

*By the end of this course, students should have a knowledge and understanding of:*

Analytical methods, both theory and model based  
The relevance of different theoretical approaches to public policy and business problems.

*By the end of this course, students should be able to:*

Engage in abstract thinking by extracting the essential features of complex systems to facilitate problem solving and decision-making.

Engage in deductive and inductive reasoning to enhance problem solving and decision-making skills.

Apply theoretical, historical and quantitative methods to the analyses of public policy problems.

Understand the nature of incentives and opportunity costs in decision-making.

Think in marginal terms about the trade-offs involved in public policy and business decision making.

### **Assessment**

There will be two midterms (15<sup>th</sup> and 20<sup>th</sup> week) and a final exam. Test questions will be a mix of short answer problem solving type, multiple choices and short essay. Programmable calculators are not allowed. The dates for the exams are as follows:

*First midterm:* 15<sup>th</sup> week.

*Second midterm:* 20<sup>th</sup> week.

*Final exam:* May/June 2014.

Grade: The higher of 1/3 two midterms + 2/3 final exam or 2/3 two midterms + 1/3 final exam.

Note that all Econ 221 students are required to sit both coursework tests. Unless a student is excused in advance from doing so, a test not taken will be awarded a mark of zero. Under Lancaster University regulations, students are required to be present for instruction and assessment throughout the teaching terms, and therefore students will not be excused from a test for reasons of e.g. weddings, birthdays, anniversaries, other family occasions, holiday bookings, or flight booking windows. (n.b. This list is not exhaustive.)

The final examination will take place in May/June 2014.

### **Timetable**

For timetable information for this module please refer to <https://weblogin.lancs.ac.uk/?cosign-timetabling&https://timetabling.lancs.ac.uk/att1213/>, using your Lancaster University username and password to login, then follow the link 'Timetables 2013/14: Students'. We advise that you check the online timetable regularly as timings and venues for lectures and classes can be changed at short notice from time to time.

Course website via MOODLE: <https://mle.lancs.ac.uk/course/view.php?id=653>

Please note: The course website is the primary means of communication with students. Any emails will be sent to your Lancaster email account which you should check regularly.

Throughout the duration of this course you should regularly log onto the ECONOMICS MOODLE website for additional notices and information. Lecture notes and tutorial questions, will be posted on this webpage (or mine). Note that this website is also useful for asking questions about the course – responses to questions will be provided by course team and by other students on the course.

### **Seminar Attendance**

Attendance at seminars is compulsory by university regulation and you are expected to attend. An attendance register will be taken at the beginning of each seminar, and this information will be entered into each individual's electronic record. It is the responsibility of each student to ensure that their attendances are correctly recorded both in class and electronically. Students must report all absences (illness or otherwise) using the online self certification system (<https://www.cisinfo.lancs.ac.uk/studentinfo/>, then click on absence notification). In cases where illness is causing you to miss a coursework element or for an illness causing you to miss a continued number of classes, you are required to provide medical confirmation after consultation with a doctor/GP whilst ensuring that you still maintain your attendance record in the self certification system. Equally, we may feel it necessary to request that you provide additional documentation to support the reasons you have

entered on the self certification system for your absence(s). Students who are absent without explanation will be recorded as an unauthorised absence and this will be reported to the appropriate Director of Studies, who decides whether disciplinary measures need to be taken. Persistent failure to attend without explanation will lead to referral to the Standing Academic Committee and the risk of permanent exclusion from the University.

### **Visiting Students**

For those visiting students who are in Lancaster for one term only: You will take a special examination in lieu of the final examination in week 10, details of time and venue will be e-mailed to you.

### **Student feedback**

At the end of the course students will be given the opportunity to provide feedback on the course. This is done through an online questionnaire using the Questionmark Perception software. Students will be notified via email during the course as to when the questionnaires will be available. This feedback is extremely valuable to the University as it enables us to identify areas of strength and weakness so that we can improve the course in the future. You are strongly advised to complete this questionnaire for every course that you take at Lancaster University.

### **Text books**

Hal Varian, “*Intermediate Microeconomics: A Modern Approach*”, 8th Ed., Norton.  
The lectures will emphasize the theory (following the Varian textbook very closely)

J.M. Perloff, “*Microeconomics: Theory and Applications with Calculus*” (Pearson) – optional.  
J. Perloff, *Microeconomics* (Addison-Wesley), 3<sup>rd</sup> edition – optional.

Course notes and questions are available at <http://www.lancs.ac.uk/staff/desilvad/review.htm>

### **Course Structure and Content**

#### **1) Equilibrium Price and Quantity**

- A. Perfect Competition (week 11-12)  
Chapter 21-22
- B. Monopoly (week 13)  
Chapter 23
- C. Oligopoly (week 14-15)  
Chapter 26
- D. Noncooperative Equilibrium (week 16)  
Chapter 27

#### **2) Special Topics**

- A. Welfare (week 17)  
Chapters 31 and 33
- B. Externalities (week 18)  
Chapter 34
- C. Public Goods (week 19)  
Chapter 36
- D. Asymmetric Information (week 20)  
Chapter 37