



Course information 2012–13

EC2066 Microeconomics

This course is designed to equip students with the economic principles which are necessary to analyse a whole range of economic problems. It builds on the foundations of economic analysis provided in course EC1002 Introduction to economics.

Prerequisite

If taken as part of a BSc degree, courses which must be passed before this course may be attempted:

EC1002 Introduction to economics
and either
MT105a Mathematics 1
or
MT1174 Calculus

Exclusions

May not be taken with:
MN3028 Managerial economics

Aims and objectives

- To deepen the understanding of the basic theory of optimization by economic agents and the efficiency of the resulting outcome for the market as a whole
- To introduce students to the analysis of strategic interaction as well as interaction under asymmetric information
- to clarify the role of economic policies as tools to improve efficiency in the presence of market failures
- to promote the ability to think in a structured framework, and clarify the importance of formal arguments
- to demonstrate the art of modelling which requires simplifying a problem by identifying the key elements without oversimplifying the issue.

Assessment

This course is assessed by a three hour unseen written examination.

Learning outcomes

At the end of this course and having completed the essential reading and activities students should:

- be able to define and describe:
 - the determinants of consumer choices, including inter-temporal choices and those involving risk
 - firms' behaviour
 - how firms' behaviour differs in different market structures and may help to determine those structures
 - how firms and households determine factor prices.
- be able to analyse and assess:
 - efficiency and welfare optimality of perfectly and imperfectly competitive markets
 - the effects of externalities and public goods on efficiency
 - government policies aimed at improving welfare.
- be prepared for further units which require a knowledge of microeconomics.

Essential reading

For full details please refer to the reading list.

Morgan, W., M.L. Katz and H.S. Rosen
Microeconomics. (Boston, Mass.: Irwin/McGraw-Hill)

Syllabus

This is a description of the material to be examined, as published in the *Regulations*. On registration, students will receive a detailed subject guide which provides a framework for covering the topics in the syllabus and directions to the essential reading.

The unit examines how economic decisions are made by households and firms, and how they interact to determine the quantities and prices of goods and factors of production and the allocation of resources. It also investigates the principles of microeconomic policy and the role of government in allocating resources. The topics covered are:

- Consumer choice and demand, including utility functions and indifference curves, income and substitution effects.
- Taxation and the effect of taxes on the labour supply.
- Producer theory: production and cost functions, firm and industry supply.
- Market structure: competition, monopoly and oligopoly.
- Game theory: static and dynamic games, strategic interaction between agents, Nash equilibrium and subgame perfect equilibrium.
- General equilibrium and welfare: economic efficiency and equity; competitive equilibrium; welfare criteria.
- Inter-temporal choice: savings and investment choices.
- Uncertainty and the economics of information: choice under uncertainty, insurance markets, and asymmetric information.
- Welfare economics: market failures arising from monopoly, externalities and public goods.
- Government and the theory of public choice.

Students should consult the *Programme Regulations for degrees and diplomas in Economics, Management, Finance and the Social Sciences* that are reviewed annually. The Prerequisites, Exclusions, and Syllabus are subject to confirmation in the *Regulations*. Notice is also given in the *Regulations* of any courses which are being phased out and students are advised to check course availability.