Level II
Semester 11

**COURSE COMPONENTS**

Course Number: ECON 2001
Course Title: Intermediate Microeconomics II
Prerequisites: ECON2000

**COURSE DESCRIPTION**

This course emphasizes the markets in which goods and services are traded and the implications, from a welfare perspective, of the various types of market structures. The models examined include perfect competition with an emphasis on General Equilibrium analysis and welfare maxima, market failures such as public goods and externalities, the welfare losses of tariffs, dead weight losses of monopoly, price discrimination and multiplant monopolies. In addition, monopolistic competition, non-collusive oligopoly, Cournot and Stackelberg equilibria, limit pricing, price leadership, and Pareto Optimality Welfare Guide are explored in some detail.

The course is organized into five main sections namely the:

1. Theory of the Firm,
2. Theory of Perfect Competition, General Equilibrium and Market Failure,
3. Theory of Monopoly and Monopolistic Competition,
4. Theory of Oligopoly, Price Leadership and Limit Pricing and
5. Theoretical Welfare Economics.

These will be covered throughout the duration of the semester.

**PURPOSE OF THE COURSE**

This course is an important building block towards a more complete understanding of microeconomic principles. It builds on the concepts learnt in Introduction to Economics and employs techniques from Introduction to Mathematics. It will allow students to see the merger between theory and application of mathematical and economic principles as the behaviour of firms are explored as well as the treatment of general equilibrium and market failure. This course benefits student by immersing them deeply into microeconomic theory for a true appreciation of the building blocks of professional economic evaluation and it stimulates the analytical prowess required to succeed at post graduate research and the world of work.
INSTRUCTOR INFORMATION

<table>
<thead>
<tr>
<th>Name</th>
<th>Office address</th>
<th>Email address</th>
<th>Office hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Anne-Marie Mohammed</td>
<td>Room 204, FSS, Ext.: 82631</td>
<td><a href="mailto:Anne-Marie.Mohammed@sta.uwi.edu">Anne-Marie.Mohammed@sta.uwi.edu</a></td>
<td>Tuesdays: 8:00-9:00 a.m. and</td>
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<td></td>
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<td>Wednesdays: 8:00-10:00 a.m.</td>
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<tr>
<td>Evening University</td>
<td>Room TBA – TBA</td>
<td><a href="mailto:Rebecca.Gookool@sta.uwi.edu">Rebecca.Gookool@sta.uwi.edu</a></td>
<td>TBA</td>
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<tr>
<td>Mrs. Rebecca Gookool-Bosland</td>
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LETTER TO THE STUDENT

Dear Student,

We warmly welcome you to this course: ECON 2001 Intermediate Microeconomics II. It is our pleasure to be teaching this course and we do hope that you are enthusiastic and committed to hard work, which will lead to your success in this course. We emphasize that we are available for consultation during office hours and by appointment through email communication. Our main aim is ensure that you leave with a thorough understanding of Intermediate Microeconomic Theory and the methods of analysis. However, we must also stress that success depends on both our teaching skills and your studying skills. You MUST attend ALL lectures and at least 75% of tutorials to make maximum use of our teaching methods and you must also do ALL the required readings. It is a very good idea to start doing past paper questions on each topic very early so that you can get a feel for what is required of an examination-quality answer. In closing, we hope that we can all have a very successful semester.
COURSE CONTENT

THE THEORY OF THE FIRM
- Nature of firms
- profit maximization,
- marginal revenue,
- principal- agent relationships,
- commodity and industrial classifications,
- concentration ratios

PERFECT COMPETITION, GENERAL EQUILIBRIUM, MARKET FAILURE
- Assumptions of perfect competition,
- supply response, short run equilibrium,
- long run equilibrium,
- constant, increasing and decreasing cost industries,
- tax incidence,
- tariffs and dead weight losses,
- producers surplus,
- general equilibrium,
- efficiency and equity pareto optimality,
- prices efficiency and laissez-faire,
- market failure, - externalities, public goods, natural monopolies

THEORY OF MONOPOLY AND MONOPOLISTIC COMPETITION
- Monopoly and deadweight losses,
- price discrimination,
- product differentiation,
- excess capacity in monopoly and monopolistic competition;
- the multiplant monopolist,
- discrimination and price elasticity,
- equilibrium for the price discriminator,
- Chamberlain’s large group model

THEORY OF OLIGOPOLY, PRICE LEADERSHIP AND LIMIT PRICING
- Model of Cournot,
- interdependence (mathematical treatment),
- Stackelberg warfare, reaction functions, collusion vs. conflict,
- price rigidity and the kinked demand curve,
- price leadership with one dominant firm,
- limit pricing, entry deterrence and scale economies.
- Classical monopoly vs. limit pricing monopolists.

THEORETICAL WELFARE ECONOMICS
- Pareto Optimality Welfare Guide,
- Rawlsian Maximin criteria.
GOALS/AIMS

This course aims to provide students with the knowledge and skills necessary to:
- be able to understand intermediate microeconomic principles
- relate theoretical economic underpinnings to the reality that exists
- use economic analysis across various disciplines in an environment of efficiency and preciseness

Upon completing this course, the student should possess a thorough understanding of market structure and economic performance, market failure, and the rationales for intervention such as government regulations or anti-trust legislation.

GENERAL OBJECTIVES

The course will be delivered by way of lectures and tutorials; these will be scheduled over the 13 weeks of the semester. Students will be provided with three (3) contact hours weekly; two (2) for lectures and one (1) for tutorials. Registration for tutorial classes will be online. Recommended readings will be placed online for students to download. You may be required to source other readings from the Library, which may not be available online.

In addition, the Course Lecturers will be available for consultations during Specified Office Hours and at other times by appointment.

TOPICS OR UNIT OBJECTIVES

1. The Theory of the Firm
   a. Students will learn the nature of firms, how firms seek to maximize profit and how and principal-agents relationships.

2. Perfect Competition, General Equilibrium, Market Failure
   a. Students will learn the assumptions necessary for a market to be perfectly competitive, how to calculate short-run and long-run equilibria in such markets, and how changes in market conditions affect these equilibrium outcomes.
   b. Students will learn to identify the economic factors that influence the number and size of firms in a perfectly competitive market.
   c. Students will learn how to measure the impact of government policies on perfectly competitive markets.
3. **Theory of Monopoly and Monopolistic Competition**  
   a. Students will learn how monopoly firms choose price and quantity under both uniform pricing and price discrimination.  
   b. Students will learn to identify when the choices of a profit-maximizing monopolist are different from the choices that maximize social welfare.  
   c. Students will learn when it is appropriate for a government to regulate a monopoly and some of the possible regulatory approaches.

4. **Theory of Oligopoly, Price Leadership and Limit Pricing**  
   a. Students will learn to analyze oligopoly markets, showing how firms compete strategically in such markets.

5. **Theoretical Welfare Economics**  
   a. Student will learn different theories of Welfare Economics, how these theories differ, their applicability to society and their respective critique.

**LEARNING OUTCOMES**

On successful completion of this course students will be able to:

1. Identify the underlying assumptions of models of Perfect Competition, Monopoly, Monopolistic Competition and Oligopoly.  
2. Derive and compare equilibrium outcomes of models of Perfect Competition, Monopoly, Monopolistic Competition and Oligopoly.  
3. Explain how the markets described by these models organise the allocation of scarce resources and the distribution of goods and services.  
4. Assess the efficiency of these markets and describe the various factors that may impact on efficiency.  
5. Utilize economic models of Perfect Competition, Monopoly, Monopolistic Competition and Oligopoly to analyse real-world situations and clearly communicate analyses in written, verbal and visual forms.  
6. Appraise social consequences of economic decision-making within the context of models of Perfect Competition, Monopoly, Monopolistic Competition and Oligopoly.

**ASSIGNMENTS**

Tutorial Sheets that contains both theoretical and application questions on all topics covered in this course are provided for students during the semester. These tutorial sheets are to be completed by the students and discussed in the one-hour weekly tutorial session with their respective tutorial Tutor.
ASSESSMENT

Mid-term Examination: 20%; Final Examination 80% (Total: 100%)
Attendance at your chosen tutorial session is mandatory.

University regulations allow for the Course Lecturer to debar from the Final Examination students who do not attend at least 75% of tutorial classes. The Course Lecturers and tutors will be monitoring and subsequently enforcing this regulation.

The Mid-term examination will consist of short answer questions/MCQs/TF.

The final exam usually consists of both short-answer (5 mark) questions and essay-type questions (which usually count for 10 or 15 marks). The final examination lasts for 2 hours.

EVALUATIONS

There will be a section on the Myelearning course site allowing students to submit their course evaluations. There is also a faculty survey conducted at the end of the course to which we pay attention since this helps us to improve the course deliverance. Please feel free to also email us your comments.

TEACHING STRATEGIES

The Course relies on three texts:
   a. A. Asimakopulos 'Micro-Economics' Oxford University Press

The Nicholson is available in the Book Store. Readings from the other two texts have now been placed online within the course site for ECON 2001. You may be required to source other readings from the Library, which may not be available online. It is imperative that you download these readings early and begin your studies.

We would like to emphasize the readings from the Koutsoyiannis, Asimakopulos and use of the Nicholson. You are also encouraged to peruse other Intermediate-level Microeconomics text books to aid your understanding.

The course will be delivered by way of lectures, class discussion, tutorials and consultation during office hours.
RESOURCES

Readings taken from the Koutsoyiannis and Asimakopulos textbooks are provided on Myelearning.
Past papers are also available for the Students on Myelearning.

READINGS

b. A. Asimakopulos ’Micro-Economics’ Oxford University Press

COURSE CALANDER

Course Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Asimakopulos</th>
<th>Koutsoyiannis</th>
<th>Nicholson</th>
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<tbody>
<tr>
<td>1</td>
<td>Introduction and theory of the firm</td>
<td>Chapter 9,10</td>
<td>Chapter 8 (omit discussion on incentive contracts)</td>
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<tr>
<td>2,3,4,5</td>
<td>Perfect competition, General equilibrium, Market Failure</td>
<td>Chapter 11 (omit 11.3)</td>
<td>Chapter 5</td>
<td>Chapter 9, 10 (inc appendix to 9) &amp; Chapter 16.</td>
</tr>
<tr>
<td>6,7,8,</td>
<td>Monopoly and Monopolistic competition</td>
<td>Chapter 13 (omit 13.5)</td>
<td>Chapter 6, 7 and 8.</td>
<td>Chapter 11</td>
</tr>
<tr>
<td>9,10,11</td>
<td>Oligopoly, Price Leadership, Limit Pricing</td>
<td>Chapter 14 (omit 14.8) Lecture Notes</td>
<td>Chapter 9 (omit 225-228) Chapter 10 (omit Section III) Chapter 13 Lecture Notes</td>
<td>Chapter 12 Lecture Notes</td>
</tr>
<tr>
<td>12,13</td>
<td>Theoretical Welfare Economics</td>
<td>Lecture Notes</td>
<td>Lecture Notes</td>
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ADDITIONAL INFORMATION

Please also take note in your guidelines to Examinations Booklet (available online) of the following regulation:

General Examination Regulation

19. Any candidate who has been absent from the University for a prolonged period during the teaching of a particular course for any reason other than illness or whose attendance at prescribed lectures, classes, practical classes, tutorials, or clinical instructions has been unsatisfactory or who has failed to submit essays or other exercises set by his/her teachers, may be debarred by the relevant Academic Board, on the recommendation of the relevant Faculty Board, from taking any University examinations. The procedures to be used shall be prescribed in Faculty Regulations.

University regulations allow for the Course Lecturer to debar from the Final Examination students who do not attend at least 75% of tutorials. The Course Lecturers will be enforcing this regulation as well as monitoring attendance at lectures. Students are strongly advised to promptly bring to the attention of their Tutors/Lecturers evidence of extenuating circumstances that prevent them from attending a tutorial class/lecture. Evidence of such circumstances will not be accepted at the end of the semester when the list of students to be debarred from the May 2013 Examinations in this course is published.

Cheating

97. (i) Cheating shall constitute a major offence under these regulations.
(ii) Cheating is any attempt to benefit one’s self or another by deceit or fraud.
(iii) Plagiarism is a form of cheating
(iv) Plagiarism is the unauthorized and/or unacknowledged use of another person’s intellectual effort and creations howsoever recorded, including whether formally published or in manuscript or in typescript or other printed or electronically presented form and includes taking passages, ideas or structures from another work or author without proper and unequivocal attribution of such source(s), using the conventions for attributions or citing used in this University.

103. (i) If any candidate is suspected of cheating, or attempting to cheat, the circumstances shall be reported in writing to the Campus Registrar. The Campus Registrar shall refer the matter to the Chairman of the Campus Committee on Examinations. If the Chairman so decides, the Committee shall invite the candidate for an interview and shall conduct an investigation. If the candidate is found guilty of cheating or attempting to cheat, the Committee shall disqualify the candidate from the examination in the course concerned, and may also disqualify him/her from all examinations taken in that examination session; and may also disqualify him/her from all further examinations of the University, for any period of time, and may impose a fine not exceeding Bds$300.00 or J$5000.00 or TT$900.00 or US$150.00 (according to campus). If the candidate fails to attend and does not offer a satisfactory excuse prior to the hearing, the Committee may hear the case in the candidate’s absence.
Centre for Excellence in Teaching and Learning (CETL)

It is our policy as your lecturers to ask you to turn your mobile phones to vibrate or silent modes during classes. It is unacceptable to use your phone in any manner during lectures or tutorials. This includes emails, text messages, blackberry messages, or any other sort of phone use.

Your presence in the classroom indicates your readiness to listen and learn. There should be no talking about non-class related matters while in the classroom, no passing of notes, or any other distracting activity. Remember that the point of attending a lecture and tutorial is to learn and you should be courteous to the students around you and not engage in any activity that will hinder their learning.

**HOW TO STUDY FOR THIS COURSE**

A combination of study techniques is needed to study for this course:

1. Regularly attend lectures and take detailed notes. Read ALL the required readings
2. Do tutorial questions AND attend tutorials to gain feedback on the questions answered. Be wary of relying on notes passed down since these may not be reflective of the level of understanding required.
3. Do past paper questions after the completion of each topic to get a feel for the type of responses needed
4. Speak to lecturers and tutors concerning any problems you may have in answering questions or studying for the course
5. Start studying early! This is one of the more demanding courses and you must begin early to cover all the material.

**GRADING SYSTEM**
a. **Accommodations for students with disabilities**

Students should refer to the University of the West Indies St Augustine Campus, Student Disability policy https://sta.uwi.edu/resources/policies/Student_Disability.pdf

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