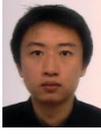




## Module Outline

Created: 29-Jul-2010, Updated: 07-Aug-2010

<b>Module Code</b>	<b>EC3101</b>		
<b>Module Title</b>	<b>MICROECONOMIC ANALYSIS II</b>		
<b>Semester</b>	<b>Semester 1, 2010/2011</b>		
<b>Modular Credits</b>	4		
<b>Faculty</b>	Arts & Social Sciences		
<b>Department</b>	Economics		
<b>Timetable</b>	<a href="#">Timetable</a>		
<b>Module Facilitators</b>		<b>DR Tiago Alexandre Miguel De Abreu Freire</b>	<a href="mailto:ecstamda@nus.edu.sg">ecstamda@nus.edu.sg</a> Lecturer
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		<b>WANG BEN</b>	<a href="mailto:g0900805@nus.edu.sg">g0900805@nus.edu.sg</a> Teaching Assistant
<b>Weblinks</b>			
<b>Tags</b>	--		

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**Aims & Objectives**[Top](#)

The objective of this module is to continue introducing tools and techniques which you will use in advanced modules and to help you think like an economist. In the previous module you learned how consumers and firms make decisions, taking prices as given. Now we will combine the decisions of both consumers and producers in a general equilibrium framework to show how prices are formed. Next we look at decisions about production and consumption in two special cases: (1) the cost or benefit is not fully borne by the consumer/producer (externalities); and (2) goods that can be consumed by two different people simultaneously (public goods). We then go a step further and think about decisions by consumers, when you take into consideration other people's decision in your choice of action (game theory). Next we move into decision making, when the outcome is uncertain (uncertainty). Finally, we look at the interaction between two individuals, when one has more information than the other (asymmetric information).

**Syllabus**[Top](#)

There will be no lecture notes, instead you are advised to read and work through the exercises of "Intermediate Microeconomics" 8th Edition, Hal Varian, Norton. We will only cover a total of 8 chapters, so you might

want to borrow the book from the University Central Library that holds several copies. You can use previous editions of this book (edition 6 and 7 have the material I will cover). For Game Theory I will also use "A Primer in Game Theory" by Robert Gibbons (Prentice Hall) and for Asymmetric Information I will also use "An Introduction to the Economics of Information", by Ines Marcho-Stadler and J. David Perez-Castrillo, 2<sup>nd</sup> Edition (Oxford Press). I might add other (optional) readings along the semester.

Topics	Description	Book Chapters
General Equilibrium	The Edgeworth Box, Trade, Pareto Efficient Allocations, Walras' Law, Relative Prices, The Existence of Equilibrium, Equilibrium and Efficiency, the firm, Production and the First and Second Welfare Theorems, Production Possibilities, Comparative Advantage, Pareto Efficiency, Decentralized Resource Allocation, Aggregation of Preferences, Social Welfare Functions, Welfare Maximization	Varian - 31, 32 & 33
Externalities	Definition of externalities; Sources of Externalities; Solutions to Externalities	Varian - 34
Public Goods	Definition of public goods; problems providing public goods; Solutions to provide public goods	Varian - 36
Game Theory	Nash Equilibrium; Mixed Strategies; Repeated Games; Sequential games	Varian - 28 & 29 Gibbons - 1 & 2
Uncertainty	How do utility functions differ under uncertainty? Risk Aversion	Varian - 12
Asymmetric Information	Types of Asymmetric Information; Adverse Selection; Moral Hazard; Signaling	Varian - 37 Sadler&Castrillo - 1, 2, 3, 4 & 5

### Assessment

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20% Lecture/Tutorial Participation  
 20% Midterm (28th of September - covering: General Equilibrium, Welfare)  
 60% Final

### Pre-Clusions

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EC2121, EC3201, EC3151

### Workload

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2-1-0-2-5

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