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<b>ECON 314</b>	<b>Microeconomics: Information and Markets</b>	<b>2006 2/3</b>
<b>School of Economics and Finance</b>		

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**Staff**

Paul Calcott	Course Coordinator	RH 324	463-6585	paul.calcott@vuw.ac.nz
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**Lectures:** Monday, Tuesday and Thursday 10:30 - 11:20 GB LT4

**Tutorials:** Tuesday 11:30 - 12:20 GB 117, or  
 Tuesday 1:40 - 2:30 RH G02, or  
 Thursday 11:30 - 12:20 RLWY 314, or  
 Thursday 12:40 - 1:30 RLWY 222

This course deals with game theory, including the economics of asymmetric information and contracts. It should be valuable not only for students who continue in microeconomics, but also for those with an interest in many other areas of economics including industrial organisation, law and economics, corporate finance, labour economics, public economics and managerial economics.

**Topics**

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|---|--------------------------|
| 1. Introduction                                 | chs 1-5                  |
| 2. Rationalizability and Nash equilibrium       | chs 6-11                 |
| 3. Sequential games                             | chs 14-16 and 19         |
| 4. Repeated games                               | chs 22 and 23            |
| 5. Bayesian games and mechanism design          | chs 24 and 26, pp264-268 |
| 6. Negotiation and efficiency                   | ch 18, pp191-195         |
| 7. Complete contracts                           | ch 13, pp195-197         |
| 8. Incomplete contracts                         | pp121-122, ch 21         |
| 9. Moral hazard                                 | ch 25                    |
| 10. Adverse selection and screening             | pp262-264                |
| 11. Perfect Bayesian equilibrium and signalling | chs 28 and 29            |
| 12. Extensive form rationalizability            |                          |

**Assessment**

Assignment 1	Due 5pm Monday 7 August	worth 15% of final grade
Test	6:30pm Monday 14 August in RH LT1* <i>*(test date, time and room to be confirmed)</i>	worth 20% of final grade
Assignment 2	Due 5pm Tuesday 10 October	worth 15% of final grade
3 hour final exam	19 Oct – 11 Nov	worth 50% of final grade

Late assignments will attract a penalty of 5% a day.

Silent non-programmable calculators will be allowed in the exam.

**Expected workload**

The total expected workload is 240 hours, comprising 18-20 hours per week.

## Reading

The textbook is: Joel Watson, *Strategy: an introduction to game theory*, 2002.

It costs \$109.95 at the bookshop and a copy is available in the library. For some topics, further readings will be available on blackboard. Your ECON 201 textbook may also be useful for an introductory treatment of some topics. Some alternative books, many of which can be found in the library, are listed below.

## Mathematical requirements

ECON 314 assumes some knowledge of calculus and algebra. You should expect more mathematical notation than in ECON 201. Students who have successfully completed QUAN 111 should be well equipped for this course. But if you can't remember how to partially differentiate, it will pay to do a little revision.

## Blackboard

Course documents and other information will be available on the blackboard website: <http://blackboard.vuw.ac.nz>. Announcements will also be posted here.

## Tutorials

Attendance is recommended but not compulsory. Enroll in a tutorial by completing the online form at [http://la-tuque-rouge.vuw.ac.nz/tutorial\\_signup/student/](http://la-tuque-rouge.vuw.ac.nz/tutorial_signup/student/). This form will be available from the beginning of Wednesday 12 July until the end of Thursday 13 July. If you are limited in the tutorial times you can do you should select a tutorial early. Model answers will not be provided for tutorial questions. Tutorials start in week 2.

## Assignments

To be successful in ECON 314, it is important to practice solving models. You will have many opportunities to do this. First, there will be tutorial exercises. Second, the textbook has problems to solve at the end of each chapter. Finally, extra problems will be available in the Course Materials folder.

The assignments are designed to be challenging. Although they will not involve advanced mathematics, they will require considerable thought. It is perfectly acceptable for students to co-operate with each other in working on the assignments. However it is not acceptable to directly copy from another student, or to allow another student to copy your work.

Assignments that are late without permission will be penalised 5% a day. Assignments may be handed in at the lecture or put in box 78 on the mezzanine floor of Rutherford House. Questions on the test and the exam will be conceptually easier than those in the assignments.

## Optional reading

Dutta, P., *Strategies and games: theory and practice*, MIT Press, 1999. HB144 D979 S (user friendly)

Fudenberg, D., and J Tirole, *Game theory*, 1991, MIT (intimidating)

Gardner, R., *Games for business and economics*, 1995, John Wiley (user friendly)

Gibbons, R., *Game theory for applied economists*, 1992, P.U.P. HB144 G441 G

Hargreaves Heap, S and Y Varoufakis, *Game theory: a critical introduction*, 1995, Routledge.

Kreps, D., *A course in microeconomic theory*, 1990, P.U.P. (chapters 11-14).

Rasmusen, E., *Games and information*, 3rd ed, Blackwell, 2001.

Romp, G., *Game theory: introduction and applications*, O.U.P, 1997. HB144 R766 G (user friendly)

## Faculty of Commerce and Administration Offices

### Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

### Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

## General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar available in hard copy or under 'About Victoria' on the VUW home page at <http://www.vuw.ac.nz/>.

## Student and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps are to be taken if there is a complaint. For information about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor or refer to the statute on the VUW policy website at:

<http://www.vuw.ac.nz/policy/StudentConduct>.

The policy on Staff Conduct can be found on the VUW website at:

<http://www.vuw.ac.nz/policy/StaffConduct>.

## Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned; class representatives may be able to help you in this. If you are not satisfied with the result of that meeting, see the Head of School or the relevant Associate Dean; VUWSA Education Coordinators are available to assist in this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website at: <http://www.vuw.ac.nz/policy/AcademicGrievances>.

## Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. The University defines plagiarism as follows:

*The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other student or staff.*

It is still plagiarism even if you re-structure the material or present it in your own style or words.

*Note: It is however, perfectly acceptable to include the work of others as long as that is acknowledged by appropriate referencing.*

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- cancellation of your mark for an assessment or a fail grade for the course
- suspension from the course or the University.

Find out more about plagiarism, and how to avoid it, on the University's website at:

<http://www.vuw.ac.nz/home/studying/plagiarism.html>.

## **Students with Impairments**

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities the same opportunity as other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services (DSS) to discuss your individual needs and the available options and support on a confidential basis. DSS are located on Level 1, Robert Stout Building, telephone (04) 463 6070, email [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person is in the relevant prospectus or can be obtained from the School Office or DSS.

## **Student Support**

Staff at Victoria want students to have positive learning experiences at the University. Each Faculty has a designated staff member who can either help you directly if your academic progress is causing you concern, or quickly put you in contact with someone who can. Assistance for specific groups is also available from the Kaiwawao Māori, Manaaki Pihipihinga or Victoria International.

In addition, the Student Services Group (email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz)) is available to provide a variety of support and services. Find out more at

[http://www.vuw.ac.nz/st\\_services/](http://www.vuw.ac.nz/st_services/)

VUWSA employs Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and Faculty delegates. The Education Office (tel. (04) 463 6983 or (04) 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz)) is located on the ground floor, Student Union Building.

## **Manaaki Pihipihinga - Maori and Pacific Mentoring Programme (Faculty of Commerce and Administration)**

This is a mentoring service for Maori and Pacific students studying at all levels. Weekly one hour sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade, and Room 210 and 211, Level 2, Railway West Wing. Sessions cover drafting and discussing assignments, essay writing, and any questions that may arise from tutorials and/or lectures. A computer suite networked to Cyber Commons is available for student use.

To register with Manaaki Pihipihinga, please contact one of the following:

Puawai Wereta  
Room 210, Level 2  
Railway West Wing  
Tel. (04) 463 8997

Email: [Puawai.Wereta@vuw.ac.nz](mailto:Puawai.Wereta@vuw.ac.nz)

Fa'afai Seiuli  
Room 109 B  
14 Kelburn Parade  
Tel. (04) 463 5842

Email: [Faafoi.Seiuli@vuw.ac.nz](mailto:Faafoi.Seiuli@vuw.ac.nz)