TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI

VICTORIA
UNIVERSITY OF WELLINGTON

ECON 314 Microeconomics: Information and Markets **2007 2/3**
School of Economics and Finance

Staff

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Lectures: Monday, Thursday and Friday 10:30 - 11:20 GB LT3

Tutorials: Thursday 12:40 - 1:30 RH G02
Thursday 1:40 - 2:30 GB G04
Friday 1:40 - 2:30 RWW 128

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

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 6 August	worth 15% of final grade
Test	6:30pm Monday 13 August in RH LT1*	worth 20% of final grade
	(test date, time and room to be confirmed)	
Assignment 2	Due 5pm Wednesday 10 October	worth 15% of final grade
3 hour final exam	approx. Fri 19 Oct to Sat 10 Nov	worth 50% of final grade

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 $109.99 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

Students are expected to understand the basic calculus, including partial differentiation, solving optimization problems and using the chain rule. You should expect more mathematical notation than in ECON 201. Students who have successfully completed QUAN 111 should be well equipped for this course.

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

Enrol in a tutorial online at https://signups.vuw.ac.nz/. This will be available from 12:30pm Tuesday 10 July until 12:30pm Thursday 12 July. If you are limited in the tutorial times you can do you should select a tutorial early. Attendance is recommended but not compulsory. 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% (of the total available marks) per 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 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 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 or go to www.vuw.ac.nz/policy.

For information on the following topics, go to the Faculty's website www.vuw.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

Email manaaki-pihipihinga-programme@vuw.ac.nz or phone 463 5233 ext. 8977 for further information or to register with the programme. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone 463 5842.