

School of Economics and Finance

ECON 314: Microeconomics: Information & Markets

Trimester Two 2008

COURSE OUTLINE

Staff

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Lectures: Monday, Tuesday & Thursday RH LT3 12:40 - 13:30

Tutorials: Thursday RWW 220 10:30 - 11:20, or
13:40 - 14:30, or
14:40 - 15:30

Tutorials start in week two. The trimester, including the examination period is Monday 7 July to Saturday 8 November 2008.

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. Decision theory
2. From decision theory to game theory chs 24,14
3. Nash equilibrium chs 9-12
4. Rationality and common knowledge chs 6-7
5. Extensive form games chs 15,19
6. Incomplete information chs 24,26-27
7. Signalling chs 28-29
8. Extensive form rationalizability
9. Negotiation and joint decisions chs 17-18,20
10. Contracts, hold-up and ownership chs 13,21
11. Repeated games chs 22-23
12. Risk sharing and moral hazard ch 25

Expected workload

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

Assessment

Assignment 1	Due 5pm Thursday 7 August	worth 15% of final grade
Test	Tuesday 9 September* *(test date, time and room to be confirmed)	worth 20% of final grade
Assignment 2	Due 5pm Monday 6 October	worth 15% of final grade
3 hour final exam	within 17 October - 8 November	worth 50% of final grade

Students are obliged to be present at university until the end of the examination period. Silent non-programmable calculators will be allowed in the exam.

Reading

The textbook is: Joel Watson, *Strategy: an introduction to game theory*, Norton, 2001, ISBN 0-393-97648-3

It costs \$109.99 at the bookshop. A second edition has now come out (ISBN-10: 0-393-92934-5), but it will not be available at the bookshop. If you find a copy, it will be fine (and better for chapter 25). 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 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.victoria.ac.nz/>. This will be available from 12:30pm Tuesday 8 July until 12:30pm Thursday 10 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 (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 on the ground floor (EA005). This counter is the first point of contact for :

- 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.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>.

Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. *At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin.* You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

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.victoria.ac.nz/home/about/policy/students.aspx.

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