TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI

VICTORIA
UNIVERSITY OF WELLINGTON

School of Economics and Finance

ECON 314: Microeconomics: Information & Markets

Trimester Two 2010

COURSE OUTLINE

Course lecturers

Paul Calcott   RH 324   463-6585   paul.calcott@vuw.ac.nz   (course coordinator)

Jack Robles   RH 317   463-7492   jack.robles@vuw.ac.nz

Lectures:	GB LT4	Mon, Tues & Fri 9:30 - 10:20
Tutorials:	RH G02	Tues 13:40-14:30, 14:40-15:30, or 15:40-16:30.
Office hours:		Mon 10:30-11:30 (Paul), Tue 10:35-11:45, Thu 2:35 to 3:30 (Jack)

Textbook

> Joel Watson, *Strategy: an introduction to game theory*, 2nd ed. Norton, 2008,
> ISBN-10: 0-393-92934-5

It costs $109.99 at Vic Books. If you find a copy of the first edition (ISBN 0-393-97648-3) it will probably be fine, but you may wish to borrow the second edition every so often. The ECON 201 textbook may also be useful. Some alternative books are listed below.

Topics	chapters	Dates & assessment	
Decision theory		12 July	first lecture
Game theory	2-4,14,24	14-16 July	tutorial signup
Nash equilibrium	9-12,26	20 July	first tutorial
Rationality & common knowledge	6-7	23 July	last day to withdraw
Extensive form games	15		without losing fees
Incomplete information	24,27	18 Aug	assignment due
Bargaining and efficiency	18,19	24 Aug	midterm break
Signalling	28-29	6 Sep	lectures resume
Implementation in contracts	13,20	9 Sep	midterm test
Incomplete contracts	21	24 Sep	last day to withdraw
Repeated games	22-23		without Dean's approval
Risk sharing and moral hazard	25	11 Oct	assignment due
		18 Oct-21 Oct	study period
		22 Oct-13 Nov	3 hour exam

Withdrawal from Courses

Fees will be refunded if you withdraw from this course on or before 23 July 2010

The last date for withdrawal Friday 24 September. After that, withdrawal requires the permission of the Ass. Dean (Students) as set out in §8 of the Personal Courses of Study Statute: http://policy.vuw.ac.nz/Amphora!~~policy.vuw.ac.nz POLICY 00000001743.pdf

To apply for permission, fill in the Late Withdrawal form available from either of the Student Customer Service Desks.

Assessment

There are no **mandatory course requirements**.

Students should be able to attend an **exam** at the University at any time during the examination period Fri 22 October - Sat 13 November (inclusive). The exam is worth 50% of the course mark.

The **mid-term test** will be held in RH LT1 at 6:30pm on 9/09/2010. It is worth 20%.
Silent non-programmable calculators will be permitted in the test and in the exam.

There are two **assignments**, due on 23 August and 11 October, each worth 15%. They may be handed in at the lecture or put in box 83 on the mezzanine floor of Rutherford House by 5pm on the due date. They 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.

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. But if you have successfully completed QUAN 111 you should be well equipped for this course.

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.

Course delivery

There are three 50 min lectures per week. There will also be a tutorial every week except week 1. Tutorial attendance is strongly recommended but not compulsory. Tutorials will largely to devoted to solving problems distributed on blackboard. Model answers will not be provided.

Tutorial signup

Enrol in a tutorial online at https://signups.victoria.ac.nz/. This will be available from 12:30pm Tuesday 14 July until 12:30pm Thursday 16 July.

Blackboard

Course documents, announcments and other information will be available on the blackboard website (http://blackboard.vuw.ac.nz).

Optional reading

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

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

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

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

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

Romp, G., *Game theory: introduction & applications*, OUP, 1997. HB144 R766 G (user friendly)

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

Class Representative
A class representative is to be elected in the first class, and that persons name and contact details will be available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

Learning Objectives:
Students passing this 300 level course in microeconomics should be able to:

1. apply microeconomic theory at an advanced undergraduate level

2. formally describe simple economic settings in game theoretic terms

3. reason through the incentives provided by simple interactive settings

4. identify equilibria in a range of simple games

5. explain the implications of game theory for contractual design in the presence of moral hazard

6. explain and use the distinction between moral hazard and adverse selection

7. explain why contracts are typically incomplete

The assignments will address objectives 1-5. Any of the objectives may be addressed in the exam.

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Links:
Academic Integrity & Plagiarism: http://www.victoria.ac.nz/home/study/plagiarism.aspx
General University Policies & Statutes: http://www.victoria.ac.nz/home/about/policy
Faculty of Commerce & Administration Offices: http://www.victoria.ac.nz/fca/studenthelp
Manaaki Pihipihinga Programme: http://www.victoria.ac.nz/st_services/mentoring/
AVC (Academic): info including: Conduct, Academic Grievances, Students with Impairments, Student Support: http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx