

School of Economics and Finance

## **ECON404 ADVANCED MICROECONOMIC THEORY A**

Trimester One 2012

### **COURSE OUTLINE**

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#### **Names and Contact Details**

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#### **Trimester Dates**

Teaching Period: Monday 5 March – Friday 8 June

Study Period: Monday 11 June – Thursday 14 June

Examination Period: Friday 15 June – Wednesday 4 July (inclusive)

#### **Withdrawal from Course**

Your fees will be refunded if you withdraw from this course on or before Friday 16 March 2012.

The standard last date for withdrawal from this course is Friday 18 May. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an ‘*Application for Associate Dean’s Permission to Withdraw Late*’ including supporting documentation.

The application form is available from either of the Faculty’s Student Customer Service Desks.

#### **Class Times and Room Numbers**

Lectures Thursday 13:40 – 15:30 GB117

#### **Course Content**

In the first half of the course, we will start with consumer choice. The topics include preference relations and choice rules; utility maximisation and expenditure minimisation; Walrasian and Hicksian demand; the indirect utility function and the expenditure function; the duality of expenditure minimisation and utility maximisation; integrability. Next we will briefly cover theory of the firm. We will go over concepts such as production sets and technology; profit maximisation and cost minimisation; properties of the profit and cost functions. Then we will discuss competitive equilibrium, its properties and existence. We will finish with welfare analysis.

After the mid-term break, we turn to multitasking and distortion in situations with moral hazard. We will use this approach to examine how sharp incentives should be, and how jobs should be designed. We also review the incentive-system theory of the firm. Then we explore some topics in reputation and delegation.

## **Course Learning Objectives**

By the end of this course, students should be able to

- C1** formulate and solve microeconomic models;
- C2** apply the Fundamental Theorems of Welfare Economics;
- C3** characterise optimal linear contracts in the presence of moral hazard;
- C4** understand the difference between precision and distortion of performance measures;
- C5** explain the principles of strategic delegation in oligopolistic games;
- C6** analyse simple models of reputation building with asymmetric information;
- C7** distinguish between formal and real authority in organizations.

## **Course Delivery**

The course will be delivered in the form of weekly two-hour lectures.

## **Expected Workload**

The official expected workload is 150 hours, or 12 to 13 per week.

## **Readings**

There is no textbook. Readings will be made available via Blackboard.

The following three graduate textbooks in microeconomics and industrial organisation might be useful in providing background. They will be available on three-day loan from the library.

A Mas-Collel, M Whinston and J Green, Microeconomic theory, 1995, OUP.

D Kreps, A course in microeconomic theory, 1990, Princeton U.P.

J Tirole, Industrial organization, 1988, MIT Press.

## **Assessment Requirements**

|                   |          |           |
|-------------------|----------|-----------|
| 2 assignments     | 20% each | dates tba |
| 2 hour final exam | 60%      | date tba  |

## Quality Assurance Note

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.

## **Examinations**

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

The final examination for this course will be scheduled at some time during the period from Friday 15 June – Wednesday 4 July (inclusive).

## **Penalties**

Assignments that are late without permission will attract penalties of 5% a day.

## **Mandatory Course Requirements**

Students must sit the final exam

### **Class Representative**

A class representative will be selected in the first week, and that person's name and contact details made 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.

### **Communication of Additional Information**

Announcements, assignment questions, supplementary reading and other course information will be posted on Blackboard.

**For the following important information follow the links provided:**

### **Academic Integrity and Plagiarism**

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

### **General University Policies and Statutes**

Find key dates, explanations of grades and other useful information at

[www.victoria.ac.nz/home/study](http://www.victoria.ac.nz/home/study)

Find out about academic progress and restricted enrolment at

<http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at [www.victoria.ac.nz/home/about/policy](http://www.victoria.ac.nz/home/about/policy), except qualification statutes, which are available via the Calendar webpage at

<http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at

[www.victoria.ac.nz/home/about\\_victoria/avcacademic/default.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx)

### **AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support**

[http://www.victoria.ac.nz/home/about\\_victoria/avcacademic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx)

### **Faculty of Commerce and Administration Offices**

<http://www.victoria.ac.nz/fca/studenthelp/>

### **Te Putahi Atawhai**

### **Maori and Pacific Mentoring Programme**

<http://www.victoria.ac.nz/tpa/>