

School of Economics and Finance

## **ECON 404 ADVANCED MICROECONOMIC THEORY A**

Trimester 1, 2016

### **COURSE OUTLINE**

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#### **Prescription**

A study of advanced microeconomic theories including basic choice theory, consumer theory, decision-making under uncertainty, basic welfare theory, uncertainty, producer theory, and general equilibrium with production and firms.

#### **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 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.

#### **Trimester Dates**

Teaching Period: Monday 29<sup>th</sup> February – Friday 3<sup>rd</sup> June

Study Period: Monday 6<sup>th</sup> June – Thursday 9<sup>th</sup> June

Examination Period: Friday 10<sup>th</sup> June – Wednesday 29<sup>th</sup> June (inclusive)

#### **Withdrawal from Course**

Your fees will be refunded if you withdraw from this course on or before Friday 11<sup>th</sup> March 2016.

The standard last date for withdrawal from this course is Friday 13<sup>th</sup> May 2016. 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 or [online](#).

### **Names and Contact Details**

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	Phone:	463-6190

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

**Lectures:** Tuesday 13:40 – 15:30 in RWW128.

### **Course Delivery**

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

### **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.

### **Mandatory course requirements**

Students must achieve an overall pass mark of at least 50%.

If you believe that exceptional circumstances may prevent you from meeting the mandatory course requirements, contact the Course Coordinator for advice as soon as possible.

If you cannot complete an assignment or sit a test or examination, refer to [www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat](http://www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat)

### **Expected Workload**

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

### **Assessment**

2 assignments 20% each (dates tba).

2 hour final exam 60% (date tba).

The Assessment Handbook will apply to all VUW courses: see

<http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

### **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 following period:

Friday 10<sup>th</sup> June – Wednesday 29<sup>th</sup> June (inclusive)

### **Penalties**

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

### **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 compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and submitted to Turnitin. A copy of submitted materials will be retained 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.

### **Student feedback**

Student feedback on University courses may be found at [www.cad.vuw.ac.nz/feedback/feedback\\_display.php](http://www.cad.vuw.ac.nz/feedback/feedback_display.php).

### **Class Representative**

A class representative will be elected in the first class, 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.

### **Link to general information**

For general information about course-related matters, go to <http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

### **Note to Students**

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 academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

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