

EC202: Microeconomic Principles 2. 2018/9

Lecturers	Frank Cowell f.cowell@lse.ac.uk	32L.3.25A	🕒 Thu 12:00-13:00
	Andrew Ellis a.ellis@lse.ac.uk	32L.3.15	🕒 Mon 11:15-12:15
Class teachers	Eduardo Catroga de Melo E.Catroga-De-Melo@lse.ac.uk Kasia Krajniewska K.A.Krajniewska@lse.ac.uk Yusuke Kuroishi Y.Kuroishi@lse.ac.uk		
Secretary	Rhoda Frith x6674 R.M.Frith@lse.ac.uk		
Lectures	Mon 13:00 Wolfson Theatre NAB.LG.01 [MT] Wed 11:00 Hong Kong Theatre CLM.G.02 [MT] Tue 16:00 TW1.G.01 [LT]		

Course Overview

- 20 lectures in the MT focusing primarily on price-taking market behaviour by economic agents. Topics include the firm, the consumer, general equilibrium, uncertainty and risk, welfare economics. Where possible the similarity of the economic problems in each topic is exploited in order to highlight the re-use of results.
- 20 lectures in the LT examining problems of strategic interaction among economic agents. This part begins with an introduction to game theory. Fundamental solution concepts are presented and discussed in detail. Static models of complete and incomplete information and dynamic models of complete information are covered. The subgame-perfect Folk theorem and its consequences on repeated interactions are detailed in a few lectures. Some of the most relevant applications of such models of behaviour are also introduced. Particular attention will be devoted to imperfect competition, adverse selection, signalling, moral hazard, public goods.
- 20 weekly classes beginning in week 2. Class material follows the lectures with a one-week lag.
- Course text: F. A. Cowell, *Microeconomics: Principles and Analysis* (Oxford University Press 2/e 2018) [C]. Supplementary readings in the second term taken from M. J Osborne, *An Introduction to Game Theory* (Oxford University Press, 2004) [O] and B. Salanié, *The Economics of Contracts: A Primer* (MIT Press, 2005) [S].
- The on-line resources at <http://darp.lse.ac.uk/EC202> include pdf/pptx files of lectures.

Course Organisation MT

- Use the course text to prepare for lectures and to review them afterwards. Read all of each assigned chapter (see schedule below) in order to get context. Work through the mini problems in the course text. They can help you with the steps in the reasoning.
- Use worksheets distributed in lecture to prepare for the classes. Team up in groups if you find this helpful.
- The problem set for each class is posted on Moodle.
- Each week you post a pdf of your answers to the problem set by midnight on Sunday before your class. You can use an app such as [Adobe Scan](#) or [CamScanner](#) to create the pdf. The answers need to be *your own* work: don't team up with others for these.
- Bring to the class a copy of your answers along with your worksheet from the lecture.
- Class teachers will check your progress from the pdfs you post on Moodle. They will also mark some of these problems and provide feedback.

Course Organisation LT

Lecture slides will be provided via Moodle prior to lecture. There will be three hand in problem sets, due in class on the weeks indicated below. The class problems for each week will be discussed the following week.

Prior to each lecture for weeks 1-5 (TBC), there will be an online set of games or decision problems to complete. It is important to respond to problems on the site BEFORE you study the relevant material including looking at the posted material. The deadline will typically be Monday at midnight. Answer as if you were playing against a randomly chosen student in the class. My goal is to incentivize some of the games. This will be facilitated at the website: <http://gametheory.tau.ac.il/> Please create the account using your LSE email address. For the first login, the course code is 2886 and the class password is 9932

Weekly schedule: Lectures and Reading

<i>Week</i>	<i>Lecture Topics</i>	<i>Text</i>	<i>Extra reading</i>	<i>Problems</i>	<i>Hand-in</i>
MT 1,2	The firm and the market	C2,3			
MT 3,4	The consumer and the market	C4,5			
MT 5,6	General equilibrium	C6,7			
MT 7,8	Uncertainty and risk	C8			
MT 9,10	Welfare	C9			
LT 1	Dominance & Pure Strategy Nash Equilibrium	C10.2, C10.3.1-4	O2.1, O2.6, O2.8-9	C10.1, 10.2, 10.3	
LT 2	Mixed Strategy Nash Equilibrium & Duopoly	C10.3.5, C10.4	O4.1-4, O3.1-2	C10.3, 10.8,10.10	
LT 3	Extensive Form Games	C10.5	O5.1-4	C10.7.4-5, 10.12, O183.1-2	HPS1
LT 4	Repeated Games & Folk Theorem	C10.5-6	O14, O15.1-2	C10.13, 10.15, 10.16	
LT 5	Incomplete Information & Bayes Nash Equilibrium	C10.7	O9.1-3	C10.17, O282.1, C10.4	
LT 6	Auctions I	C12.4-6.1	S3.2.3	C12.4, 12.5, 12.3	HPS2
LT 7	Auctions II & Basic Mechanism Design	C12.6	S3.2.7	TBC	
LT 8	Adverse Selection (Monopoly & Competition)	C11.2	S2, S3.1.3, S3.2.1	C11.1, 11.2, 11.5	
LT 9	Signaling	C11.3	S4, O10.5-6	C11.6, 11.8, 11.7	
LT 10	Moral Hazard & Public Goods	C11.4, C13.6	S5.1 - S5.3.5, O2.8.5, O9.5	Online	HPS3

Examination

There is a Lent-term examination of 1 hour comprising 25% of the overall mark and a Summer-term examination of 3 hours comprising 75% of the overall mark. The 2014-2018 papers ([in the Library](#)) can be used as guidance to the style of question and level of difficulty. The precise format of each of these exams is expected to change in 2019: a further announcement about this will be made soon.