

EC202: Microeconomic Principles 2. 2017/8

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 14:00-15:00
Class teachers	Michel Azulai m.d.azulai@lse.ac.uk		
	Alkiviadis Georgiadis-Harris a.georgiadis-harris@lse.ac.uk		
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Secretary	Rhoda Frith x6674 R.M.Frith@lse.ac.uk		
Lectures	Wed 11:00 Hong Kong Theatre CLM.G.02 [MT]		
	Thu 14:00 Sheikh Zayed Theatre NAB.LG.08 [MT]		
	Tue 16:00 TW1.G.01 [LT]		

Course Organisation

- 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, externalities and 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 2006) [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.

Individual learning

- Make *your own written notes* in lectures. Don't just rely on the on-line resources.
- Use worksheets distributed in lecture to prepare for the classes
- 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 are designed to help you with the steps in the reasoning.

Class work

- Teachers assign specific students to prepare presentations of the material in the [class schedule](#)
- *All* students need to make a reasonable attempt in advance of the class. Team up in groups if you find this helpful. Make sure that you personally understand *why* the exercise “works.”
- For some classes you need to bring along the lecture worksheets you have completed.

Required hand-in work

- In specified weeks (see schedule below) you **must** hand in [assignments](#)
- These assignments will be marked and are of the same scope and difficulty as exam questions.
- These need to be *your own* work. Do *not* work with others on your hand-in assignments.

Weekly schedule: Lectures, Reading and Classes

<i>Week</i>	<i>Lecture Topics</i>	<i>Text</i>	<i>Extra reading</i>	<i>Hand-in Work?</i>
MT 1	The firm	C 2		NO
MT 2	The firm and the market	C 2,3		YES
MT 3	The consumer	C 4		YES
MT 4	The consumer and the market	C 4,5		NO
MT 5	A simple economy	C 6		YES
MT 6	General equilibrium 1	C 7		NO
MT 7	General equilibrium 2	C 7		YES
MT 8	Uncertainty and risk	C 8		NO
MT 9	Welfare 1	C 9		YES
MT 10	Welfare 2	C 9		NO
MT 11				YES
LT 1	Static Games	C 10.2	O2.1, O2.6	NO
	Dominance and Nash Equilibrium	C 10.3.1-4	O2.8-9	
LT 2	Mixed Strategy Nash Equilibrium	C 10.3.5	O4.1-4	NO
	Oligopoly	C 10.4	O3.1-2	
LT 3	Incomplete Information Games	C 10.7	O9.1-3	YES
	Bayes Nash Equilibrium			
LT 4	Dynamic Games	C 10.5-6	O5.1-4	NO
	Subgame Perfection			
LT 5	Imperfect Competition			YES
	Repeated Games: Introduction			
LT 6	Repeated Games: Folk Theorem	C 10.5	O10.1-3, O15.1	NO
	Adverse Selection: Monopoly		S2, S3.1.3	
LT 7	Adverse Selection: Competition	C 11.2	S3.2.1	YES
	Competitive Insurance Markets			
LT 8	Signalling	C 11.3	S4, O10.5-6	NO
LT 9	Moral Hazard	C 11.4	S5.1-3.5	YES
LT 10	Externalities	C 13.4	O2.8.4, O9.5	YES
	Public Goods	C 13.6.1-4		
LT 11				

Examination

In the Lent term week 0 there is an examination of 1 hour comprising 25% of the overall mark. There is also a Summer term examination of 3 hours comprising 75% of the overall mark. The Lent term examination will be based 100% on the Michaelmas term syllabus, and the Summer exam on 33% of the Michaelmas term syllabus and 67% of the Lent term syllabus. The 2013-2017 papers ([in the Library](#)) can be used as guidance to the style of question and level of difficulty.