

Core Microeconomics

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Objectives

The objective of the course is to introduce students to the scope and purpose of current microeconomic analysis at an intermediate level, and to provide them with the basic tools to help them understand many of the subsequent optional courses. Additionally, the course shows how these tools can be applied to microeconomic policy issues.

Rubric

The paper will be set in two parts. Candidates will be required to answer questions from both parts. Part A will consist of short questions and Part B will consist of longer questions, the duration of the exam paper is going to be extended to 3 hours from 2013 onwards. (All of this is subject to change - please refer to the official Department documents to check this is correct.)

Organisation of teaching

Lectures

You are expected to attend *all* the lectures for the following reason: Tutorials always tie-in with the preceding week's lecture for that topic, and the lectures are a guide to the topics that will appear in exams. Details of the course can

be found [here](#), where the course is listed as number 302. There will be 25 one-hour lectures during Michaelmas Term in the Gulbenkian Lecture Theatre in the St Cross Building.

The department course website can be found [here](#).

The Weblearn site for the course can be found [here](#).

Tutorials

We will meet every Friday from Week 1 to 8, the venue and time will be set according to your group (see tables).

Week	Topic	Room
MT1	General Equilibrium and Optimisation	Stafford Crane
MT2	Welfare Economics and Integration	Gibbs
MT3	Applied Welfare Economics: Public Goods and Externalities; the Environment	Gibbs
MT4	Game Theory	Gibbs
MT5	IO and Competition Policy	Gibbs
MT6	Risk and Expected Utility; Insurance	Gibbs
MT7	Information Economics: Adverse Selection, Signalling and Screening	Gibbs
MT8	Information Economics: Moral Hazard	Gibbs

Group	Time	Members
1	2pm - 3:20pm	
2	3:20pm - 4:40pm	
3	4:40pm - 6pm	

For all tutorials you will do problem sets, and for some you will also do short essays. Type the essay but don't skip on diagrams or notation. Please draw the diagrams yourself, don't paste them electronically from texts; keep them large and clearly labelled.

Work should be handed in at Keble Lodge or e-mailed to me by **7pm the Wednesday before the tutorial**. *Late submissions will not be marked and you will be barred from the subsequent tutorial*. If, for whatever reason, you have problems with an assignment, please e-mail me before the day it is due.

Reading

There is no single textbook for the course. Suitable texts at the right level are:

- Gravelle & Rees, *Microeconomics*, 3rd edition.
- Boadway & Bruce, *Welfare Economics* – for weeks 2 and 3 (Welfare economics, applied welfare economics). Although this is now out of print, it is widely available in libraries.

More advanced textbooks, are:

- Kreps, *A Course in Microeconomic Theory*.
- Mas-Colell, Whinston and Green, *Microeconomic Theory*.

Even though it's mentioned as an advanced textbook, the Mas-Colell is the standard reference for the study of microeconomics, so you would do well in using it. Other useful microeconomic textbooks at an introductory level (usually too basic) are:

- Katz & Rosen, *Microeconomics*.
- Perloff, *Microeconomics: Theory and Applications with Calculus*.
- Varian, *Intermediate Microeconomics: A Modern Approach*
- Nicholson & Snyder, *Micro-economic theory; basic principles and extensions*

Notes

- All reading is as listed for the corresponding week on the Economics Department's Microeconomics page. Please refer to the Weblearn page for the appropriate reading lists, lecture slides, and problem sets.
- Maths in essays: some mathematical equations contain a lot of economic intuition; others contain very little. You should aim to use the former rather than the latter; diagrams are generally a good substitute for maths.
- Exam questions are set with very close reference to the contents of the lectures given to the relevant student year group (so use lectures as a guide to what you should study).
- Keep diagrams large and clear.
- The problems assigned (below) are subject to change - the department has yet to finalise the problem sets.

Week 1: General Equilibrium and Optimisation

I have attached this PS by email.

The 2x2x2 model is not in Boadway & Bruce (nor in Gravelle & Rees), so you will have to consult other texts. You can also check Mas-Colell (chapter 16) for the lectures of GE as a guide to policy.

Also, you are recommended to use Boadway & Bruce (chapter 3) rather than Gravelle & Rees on this topic (which is considered somewhat over-technical).

Essay

Essay Q3 from problem set for week 1 (1000 words).

Problems

Q2, 4, 6.

Week 2: Welfare Economics and Integration

Here you are recommended to use Boadway & Bruce (Chapter 3) rather than Gravelle and Rees.

Essay

Question 1 from PS2, attached to the original email (1000 words).

Problems

Q5, 4, 1 (in that order).

Week 3: Applied Welfare Economics: Public Goods and Externalities; the Environment

Boadway and Bruce (Chapter 4) is a good general text on this topic.

Problems

Q1, 2, 3, 4, 7 (PS3 to be posted on Weblearn, I will email you.)

Week 4: Game Theory

Gravelle and Rees (Chapter 15) is the main reference here. If you don't like that you can use Gibbons, A Primer on Game Theory (Chapters 1,2,3:1).

Problems

Q1, 6 (PS4 to be posted on Weblearn, I will email you.)

Week 5: IO and Competition Policy

Mas-Colell (Chapter 12) is a recommended further reading.

Essay

Q1, 13 (1000 words on each - PS5 to be posted on Weblearn, I will email you.)

Problems

Q1, 2 (PS5 to be posted on Weblearn, I will email you.)

Week 6: Risk and Expected Utility; Insurance

Essay

Q4 (1000 words on each - PS6 to be posted on Weblearn, I will email you.)

Problems

Q1, 4 (PS6 to be posted on Weblearn, I will email you.)

Week 7: Information Economics: Adverse Selection, Signalling and Screening

Mas-Colell (Chapter 13 C and 13D) are good for screening.

Essay

Q3, 5 (1000 words on each - PS7 to be posted on Weblearn, I will email you.)

Problems

Q1, 2, 3 (PS7 to be posted on Weblearn, I will email you.)

Week 8: Information Economics: Moral Hazard

Essay

Q3 (1000 words - PS8 to be posted on Weblearn, I will email you.)

Note that this essay requires the diagram in Gravelle & Rees (Chapter 20B), that is, Figure 20.2 (Page 562) in your answer.

Problems

Q 1, 2 (PS8 to be posted on Weblearn, I will email you.)