

Core Microeconomics

Tutor: John Menzies

john.menzies@economics.ox.ac.uk

<http://www.johnmenzies.ca>

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

From the department website:

Risk, expected utility theory; welfare economics and general equilibrium, public goods and externalities; game theory and industrial organisation; information economics; applications of microeconomics. 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.

[...]

From TT 2013 until TT2015, the exam is the same for all five honours schools: a three-hour paper with two parts; all candidates must answer 3 short questions from Part A and 2 long questions

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

from Part B. Note (17.09.14): In MT 2014 the Undergraduate Studies Committee will consider changing the format of Part A (the number and length of short questions set and the number candidates are required to do) for the examination in Trinity Term 2016. If any changes are agreed, they will be announced before the end of the term, and will apply to the collection set in January 2015.

Organisation of teaching

Lectures

You are expected to attend *all* the lectures: 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](#).

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

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

Tutorials

We will meet every Wednesday from Week 1 to 8, the specific time will be set according to your group (see tables). The tutorials will always take place in Dr. Kevin Sheppard's office, which is located above the lodge (Room 2902).

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

Group	Time	Members
1	Wednesdays 2:30pm - 4pm	
2	Wednesdays 4pm - 5:30pm	
3	Wednesdays 5:30pm - 7pm	

the diagrams yourself, don't paste them electronically from texts; keep them large and clearly labelled.

All work must be handed in to the porter at Keble lodge by 7pm the Tuesday before the tutorial *otherwise it will not be marked and you will be barred from the subsequent tutorial*. I will not accept emailed work; a physical copy must be handed in. If your work is not satisfactory or handed in on time, I am obliged to bring this to the Senior Tutor's attention. Please start working on your assignments well before the deadline. Part of what you will develop this term is the ability to manage your workload.

I will automatically grant extensions as long as they are requested earlier than the day before the deadline. That is, I will not grant extensions on Tuesday if the assignment is due on Wednesday; you would need to request one at least on Monday. If you request an extension, I cannot guarantee that your work will be marked by the tutorial.

All of your work must be clear and well-presented. In general, your approach to economics questions and maths problems should be to go beyond the minimum required by the question, providing relevant comments, interpretation and explanation for your answers.

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*

Please see the department's website for more options regarding texts.

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.

Essays

Many students have significant trouble producing high-quality essays. When producing an essay, remember George Orwell's 'six elementary rules' from his essay *Politics and the English Language*:

1. Never use a metaphor, simile, or other figure of speech which you are used to seeing in print.
2. Never use a long word where a short one will do.
3. If it is possible to cut a word out, always cut it out.
4. Never use the passive where you can use the active.
5. Never use a foreign phrase, a scientific word, or a jargon word if you can think of an everyday English equivalent.
6. Break any of these rules sooner than say anything outright barbarous.

If you would like more information on clear writing, please see [*The Economist Style Guide*](#).

Your essays *must* answer the question posed in the prompt. The prompt will almost certainly relate to something covered in either the readings or the lectures. Please attempt to use the readings in your essays: don't simply regurgitate the text but apply the theory to the problem at hand.

Additional material

I would strongly encourage you to listen and read about economics in your spare time. There are many excellent online resources where you can listen to and read interesting economic analysis. Please remember, however, that reading blogs and listening to podcasts is a complement to (not a substitute

for) your tutorial readings. Here are some places to start:

NPR Planet Money podcast
The Marginal Revolution blog
The Becker-Posner blog
The Freakonomics blog
Greg Mankiw's blog
A Worthwhile Canadian Initiative blog
Brad DeLong's blog
EconLog blog
VoxEU

For more blogs, have a look at [this ranking](#).

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

Q1 (500-750 words).

Problems

Q1, 4, 7, 8.

Week 2: Welfare Economics and Integration

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

Essay

Q4 or 6 (500-750 words).

Problems

Q2, 3, 4 (optional), 5 (optional), 6, 7, 8.

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

Q2, 3, 4, 6, 7, 9, 10 (optional).

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, 2, 4, 5, 6, 7, 10, 11.

Week 5: IO and Competition Policy

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

Essay

Q1, 14 (1000 words on each)

Problems

Q1, 2.

Week 6: Risk and Expected Utility; Insurance

Essay

Q5 (500-750 words)

Problems

Q2, 3, 4, 6 (optional), 7, 8.

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

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

Essay

Q6 (1000 words)

Problems

Q1, 3, 4, 5.

Week 8: Information Economics: Moral Hazard*Essay*

Q4 (1000 words)

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

Problems

Q1, 2, 4, 5