

ECON 212

Microeconomics II

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GENERAL INFORMATION

Course Description:

Supply side of the market. Basic behavior of the firm, profit maximization and cost minimization. Perfectly competitive markets and monopoly. Monopolistic competition and oligopoly. General Equilibrium. A brief introduction to game theory. The issues in public economics, such as externalities and public goods, and the behavior of governments.

Course Overview:

Intermediate microeconomics is offered in two semesters for the economics majors at the TED University. The purpose is to provide a comprehensive and deep coverage of all intermediate micro theory topics together with relevant applications. Building on its prequel, this second semester course covers various industry/market structures, a brief introduction to risk and information and finally an preliminary analysis of general equilibrium analysis and market failures; hence it will form a thorough basis for the subsequent courses with heavy use of micro theory.

We will begin with theories of monopoly and monopsony price setting. We then will continue with price discrimination and price determination in imperfectly competitive markets. Next, we will shift to risk, uncertainty and information including a utility-theoretic approach to uncertainty extending to insurance markets, asymmetric information and auctions. We return to the concept of market equilibrium within the context of "general equilibrium" analysis, the analysis of how demand and supply conditions interact in several markets to determine the prices of many goods. Next, we will introduce and develop important concepts of efficiency, equity and welfare and the role of governments in income redistribution. Finally, we will explore market failures where economic efficiency is elusive. We will study externalities and public goods as applications of market failures.

Microeconomic analysis relies on a small set of enormously powerful analytical tools: constrained optimization analysis, equilibrium analysis, and comparative statics analysis. This course attempts to help you master these tools by presenting their graphical, algebraic and logical mechanics as well as by illustrating their use in many different contexts throughout the course.

Credits: (3+0+0) 3 TEDU Credits, 6.0 ECTS Credits

Prerequisites: ECON 211 – **Corequisites:** None

Learning Outcomes:

Upon successful completion of this course, a student will be able to

1. Examine firm behavior in monopoly and monopsony
2. Analyze three types of price discrimination to understand capturing surplus
3. Construct the equilibrium in various types of imperfectly competitive markets
4. Examine risk and information concepts including insurance markets, asymmetric information and auctions
5. Demonstrate understanding of Walrasian equilibrium and illustrate graphically and algebraically Pareto efficient allocations.
6. Analyze production and consumption externalities and relevant government intervention.
7. Determine socially optimal level of public goods in general equilibrium settings.

COURSE READINGS

Required Text:

Besanko, David and Ronald Braeutigam (2015), *Microeconomics*, 5th. Edition, Singapore: Wiley.

Optional Text:

- Varian, Hall. R. (2014), *Intermediate MICROECONOMICS: A Modern Approach*, 9th. Edition, New York: Norton.
- Perloff, J. M. (2011), *Microeconomics: Theory and Applications with Calculus*, 2nd Edition, Boston: Pearson.
- Pindyck. R. and D. Rubinfeld (2008), *Microeconomics*, 7th Edition, New York: Prentice Hall.
- Snyder, C. and W. Nicholson (2012), *Microeconomic Theory: Basic Principles and Extensions*, 11th Edition, International Edition: South-Western.

ASSESSMENT METHODS

Midterm Exams:

There will be two mid-term exams. Material for the exams will be taken from the assigned readings and class discussions.

Final Exam:

There will be a final exam. Material for the exam will be taken from the assigned readings and class discussions.

Homework:

Three homework assignments will be assigned throughout the semester. They are crucial in helping you to understand the material taught in class, but they will also ask you to apply concepts from class to a variety of real world issues to develop your critical thinking skills. They cover a wide variety of problem types, including numerical and graphing problems that require you to find information on the web and questions on non-textbook readings and assignments. In addition, they help you in preparing for the exams.

Participation:

This course adopts interactive learning methods, which require class attendance and active participation in the class discussions. Attendance is required and will be taken at the beginning of the class meetings for days randomly selected. Being in attendance is defined as being present for the entire class period. If you leave early or come late your attendance will be marked as absent. A student with less than 75 per cent attendance will not be allowed to sit in the final examination.

GRADING

The course grade will be based on the following:

Homework and Participation	20%
Midterm Exam I	25%
Midterm Exam II	25%
Final Exam	30%

Grade Evaluation Scale:

A grade of less than 50% is an F. Everything above 50% will be evaluated on a curve according to class performance and will be awarded a letter grade of AA, BA, BB, CB, CC, DC or DD on the performance scale.

TEACHING and LEARNING

Planned Learning Activities and Teaching Methods:

Telling/Explaining, Discussions/Debates, Questioning, Reading, Problem Solving, Case Study/Scenario Analysis, Video Presentations, Oral Presentations/Reports.

Student Workload:

Lectures 42 hrs, Readings 42 hrs, Quizzes/Homework 40 hrs, Midterm Exam 16 hrs, Final Exam 16 hrs, Research Review 24 hrs. -- Total workload is 180 hours.

Computer Usage:

Students will use MS Office applications (Word, Excel, Access) to work on their weekly assignments about 2 hours a week.

How to Get the Best out of This Course:

1. **COME TO CLASS.** In the past, the single best predictor of final grades has been class attendance. Every year, some portion of my students stop showing up as the term wears on. These people consistently get C's and worse.
2. **TAKE NOTES.** Getting notes from your friends or downloading the lecture slides are poor substitutes, even if those notes are of high quality. Why? Because most of the learning you will do actually takes place in the process of hearing and seeing the material from the professor and peers, transcribing it into your notes and engaging in discussions with your peers in the classroom.
3. **READ THE TEXT.** Be disciplined about keeping up with the material. Read the text before class in order to familiarize yourself with the models that we will be discussing.
4. **PRACTICE.** Do not get discouraged if you get stuck on a problem. This is to be expected. Problems will become easier if you stick to it. Consult the relevant part of the textbook or your lecture notes. If you really are stuck ask for help! Your instructor is more than happy to help you out. Do not hesitate to visit or email me when you are stuck in searching an answer.
5. **MANAGE YOUR TIME.** Work steadily over the semester. Do not forget that later work in the course builds on earlier work. You will not have much time to catch up if you fall behind. In any case, intensive work at the end is never a substitute for regular effort throughout the course.

COURSE POLICIES

Lectures:

1. Come to class on time, be seated and ready to begin class. Latecomers miss announcements, handouts, the initial thrust of the class, and disturb other students.
2. I will not allow laptops to be used in class, as they are too much of a distraction from the discussion, and are generally not as good as a pen for taking notes. If a student has a particular need to use a laptop, please ask me and I will be willing to consider its use.
3. Cell phones must be put away during lectures and exams.

Homework:

1. Answers that are simply copied from somebody else in class will receive a score of zero.
2. In fairness to students who complete assignments on time, no late assignments will be accepted.
3. Handwritten solutions are acceptable as long as they are legible and neat.

Make-up:

1. If you have a legitimate and documented excuse and miss the mid-term exam for some dire reason, you will be given a written makeup exam. In case of serious illness, a verifying report from a physician is necessary and it has to be approved by the University Health Centre.

Re-grading:

1. HOMEWORK: No re-grade requests will be accepted.
2. EXAMS: I am willing to entertain re-grade requests, subject to the following rules:
 - a. Re-grade requests will be accepted within one week of seeing your exam. After that point, they will not be accepted.
 - b. Requests must be written. You should explain clearly why you claim you deserve more points. Note that "My answer looks just like the key" is not a reason.
 - c. I re-grade the entire exam, not just the question you have highlighted. Since errors in grading go both ways, and a re-grade request is an assertion that errors have occurred, I want to make certain to eliminate all errors. This means that your grade can go up and it can go down.
 - d. I will answer the re-grade request within a week, in writing. At that point, the grade is final and not subject to further discussion.

STUDENT CONDUCT

Academic Integrity:

Academic dishonesty in assignments, examinations, or other academic performance is prohibited and considered a violation of the Student Conduct Regulations. It includes 'cheating' (the intentional use or attempted use of unauthorized materials, information or study aids); 'fabrication' (the intentional falsification or invention of any information); 'assisting in dishonesty or tampering' (intentionally or knowingly helping or attempting to help another commit an act of dishonesty or tampering with evaluation instruments and documents); and 'plagiarism' (intentionally or knowingly representing the words or ideas of another person as one's own). Penalties for academic dishonesty may result in receiving an 'F' in the course, or referral to the Dean of the Faculty in which you are enrolled for further action.

Disruptive Behavior:

Behaviors that are disruptive to teaching and learning will not be tolerated, and will be referred to the Rector's Office for disciplinary action. Behaviors that create a hostile, offensive or intimidating environment based on gender, race, ethnicity, color, religion, age, disability, marital status or sexual orientation will be referred to the Rector's Office.

TENTATIVE SCHEDULE

Week	Topic	Readings B&B
Feb 1-Feb 7	Course Overview Syllabus Monopoly	Chapter 11
Feb 8-Feb 14	Monopoly Monopsony	Chapter 11
Feb 15-Feb 21	First-Degree Price Discrimination Second-Degree Price Discrimination	Chapter 12
Feb 22-Feb 28	Third-Degree Price Discrimination Cournot, Bertrand and Stackelberg Overview	Chapter 12 Chapter 13
Feb 29-Mar 6	Dominant Firm Markets Oligopoly Horizontally Differentiated Products	Chapter 13
Mar 7-Mar 13	Monopolistic Competition <i>Homework 1 due (Thursday, March 10)</i>	Chapter 13
Mar 14-Mar 20	<i>Midterm I (March 16, 18:00-20:00, Room: K085)</i> Describing Risky Outcomes	Chapter 15
Mar 21-Mar 27	Evaluating Risky Outcomes	Chapter 15
Mar 28-Apr 3	Insurance Asymmetric Information Auctions	Chapter 15
Apr 4-Apr 10	General Equilibrium Analysis: Two Markets General Equilibrium Analysis: Many Markets	Chapter 16
Apr 11-Apr 17	General Equilibrium Analysis: Comparative Statics <i>Homework 2 due (Thursday, April 14)</i>	Chapter 16
Apr 18-Apr 24	<i>Midterm II (Monday, April 18, Room: G113)</i> The Efficiency of Competitive Markets	Chapter 16
Apr 25-May 1	Externalities	Chapter 17
May 2-May 8	Public Goods <i>Homework 3 due (Thursday, May 5)</i>	Chapter 17