OREGON STATE UNIVERSITY
GRADUATE PROGRAM IN APPLIED ECONOMICS

AEC 513: Microeconomic Theory II
Winter Term, 4 Credits

Course Description:
This course emphasizes general theory and principles for microeconomic theory at the Masters level. It builds upon the foundations covered in AEC 512, and extends the basic principles to uncertainty, non-cooperative game theory, competitive market equilibrium and welfare analysis, imperfect competition, and market failures. This course includes theory, intuition, model development and critical assessment. Primary emphasis is on understanding microeconomic theory and the underlying assumptions, how it is applied to real world settings, and the limitations of the theory and assumptions.

Objectives:
The Course objectives are:

- To increase the depth and breadth of students’ knowledge and understanding of microeconomic theory, with a focus on extensions to the consumer and producer theory;
- To cover the theory and applications of microeconomics II at a level appropriate for first year economics Masters students;
- To build economic literacy and intuition about economic models while providing mathematical tools to address real world issues;
- To facilitate the linkage between theory and applications through fundamental specification of core economic models, numerical examples, homework problems and assigned readings, and in-class discussions;
- To prepare students to conduct high quality applied economic research, by exposing them to applied research in the course content areas; and
- To instill in graduate students an appreciation of economic thinking and an interest in being life-long learners and contributors to applied economic research and outreach.

Learning Outcomes:
By the end of this course, students should be able to confidently address a range of economic and policy problems that focus on the microeconomic side of economic analysis using thought processes and techniques introduced through lectures and grounded in applications, readings, and class assignments. In particular, students should be:

- Conversant in basic microeconomic theory as applied to market equilibrium, welfare analysis, imperfect market structure, uncertainty, and market failures
- Able to utilize the theory in applications to real world problems and analysis;
- Able to critically evaluate applied economic research;
- Aware of limitations and needed extensions that arise in applications of economic research to real world problems; and
- Able to effectively engage with the general public on economic dimensions of issues related to the specific topics covered in this course.
Prerequisites:
AEC 512 or equivalent

Course Structure:
Lecture (twice weekly for 110 minutes each)

Textbook:

Course Content: Microeconomic Theory II

I. Brief Refresher of Consumer and Producer Theory (5%)
II. Market Equilibrium (25%)
   A. Partial Equilibrium Competitive Model N&S 12
   B. General Equilibrium and Welfare N&S 13

III. Uncertainty and Information (10%) N&S 7
IV. Strategy and Game Theory (10%) N&S 8
V. Market Power (25%)
   A. Monopoly and Monopsony N&S 14
   B. Imperfect Competition N&S 15

VI. Market Failure (25%)
   A. Asymmetric Information N&S 18
   B. Externalities and Public Goods N&S 19

Grading:
Problem Sets 15%
In-class participation and discussion 15%
First Exam (sections II, III, IV) 35%
Second Exam (sections V, VI) 35%

Students with Disabilities:
Accommodations are collaborative efforts between students, faculty and Services for Students with Disabilities (SSD). Students with accommodations approved through SSD are responsible for contacting the faculty member in charge of the course prior to or
during the first week of the term to discuss accommodations. Students who believe they are eligible for accommodations but who have not yet obtained approval through SSD should contact SSD immediately at 737-4098.

**Expectations for Student Conduct (cheating policies):**

Oregon State University defines academic dishonesty as: “An intentional act of deception in which a student seeks to claim credit for the work or effort of another person or uses unauthorized materials or fabricated information in any academic work.” Academic dishonesty includes: Cheating, Fabrication, Assisting, Tampering, Plagiarism. More information, including the process by which academic dishonesty cases are handled, is available at: [http://oregonstate.edu/admin/stucon/achon.htm](http://oregonstate.edu/admin/stucon/achon.htm)