

Syllabus
Econ 2: The Microeconomics of Imperfect Markets
UCSD, Summer 2015

Instructor: Ivan Major

Visiting professor, Department of Economics, UCSD

Office hours: Mo, We 10:00–10:50 a.m.

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Lecture time: Mo, We 11:00 a.m.–1:50 p.m.

Classroom location: HSS 1315

Discussion: Fri 10:00–10:50 a.m.

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Teaching assistant: David Stowitts

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Office hours: Thursday 4:30–6:30 p.m.

Office: 224 Sequoyah Hall

Course description

This is the second part of an introductory course to microeconomics. During the course, you get acquainted with imperfect markets and the role of government in market regulation. Topics include the case of monopolies, strategic firm behavior (oligopolies), externalities, public goods and taxation. In addition, you will get an introduction to one of the most exciting fields of economics: the economics of (asymmetric) information. You will also learn about some of the economic challenges of public policy – employment, poverty and income distribution –, and about the economic aspects of using the environment, and healthcare. The specific issues we shall discuss in this course are as follows:

- The sources of monopoly power.
- Price discrimination among different groups of customers.
- Public policy toward monopolies, including “natural monopolies”.
- Strategic behavior of the firms and game theory.
- The importance of ownership, property rights and externalities in market transactions.
- The role of information in economic transactions.
- Why can asymmetric information endanger markets?
- Factors that set the demand for and supply of labor.
- How can we measure income inequality?
- The pros and cons of income redistribution.
- The economics of the environment and healthcare.
- Why are some goods provided publicly?

Textbook: Robert H. Frank and Ben S. Bernanke, *Principles of Economics*, 5th edition, McGraw-Hill, 2013 (ISBN-9780077815653). **(FB)** The UCSD custom edition contains an important appendix to Chapter 5 and additional material on international trade that are not in the standard 5th edition.

Schedule of classes and required reading:

June 29

Monopoly, Oligopoly and Monopolistic Competition (Ch. 8_1)

July 1

Monopoly, Oligopoly and Monopolistic Competition (Ch. 8_2)

July 3

Discussion: Monopolistic Behavior, Oligopoly and Monopolistic Competition.

July 6

The Firms' Strategic Behavior I (Ch. 9_1)

July 8

The Firms' Strategic Behavior II (Ch. 9_2)

July 10

Discussion: Strategic Behavior. (Problem set 1 is due by this class)

July 13

The Economics of Information (Ch. 11)

July 15

Labor Market, Poverty and Income Distribution (Ch. 12)

July 17

Discussion: Information. The Labor Market and Income Distribution. (Problem set 2 is due by this class)

July 20

Externalities and Property Rights (Ch. 10)

July 22

The Environment, Health and Safety (Ch. 13)

July 24

Discussion: Externalities and Property Rights. The Environment, Health and Safety (Problem set 3 is due by this class)

July 27

Public Goods and Taxation I (Ch. 14_1)

July 29

Public Goods and Taxation II (Ch. 14_2)

August 1: Final exam

The final exam will contain short answer type questions.

Homework assignments

- Assignment 1 (due by July 10)
- Assignment 2 (due by July 17)
- Assignment 3 (due by July 24)

Homework should be handwritten and readable. No printed homework will be graded.

Points on class participation will be awarded for correct answers to cold call questions during lectures. Class participation points can be redeemed by a two pages printed essay (400–500 words) on one of the following topics:

- Examples on monopolies or oligopolies;
- Examples on public goods and externalities;
- Labor market and income distribution.

Grading

Final exam	Homework (Problem sets)	Class participation
60%	30%	10%

Grade scale

A±	B±	C±	D
81–100	71–80	60–70	50–59