

COURSE CONTENT

Course Coordinator	Yeo Xiong Wei, Jonathan / Yan Jubo
Course Code	HE2001
Course Title	Microeconomics II
Pre-requisites	HE1001 Microeconomics I/ HE9091 Principles of Economics/ HE5091 Principles of Economics/ AB0901 Principles of Economics: A Singapore Perspective
No of AUs	3
Contact Hours	39 hours (2 hours lecture and 1 hour tutorial per week)

Course Aims

The main aim of this course is to provide a solid understanding of the functioning of the market and its limitation in achieving socially desirable outcomes. To this end, we begin with welfare economics and define socially desirable outcomes. Then we analyze the market equilibrium under perfect competition, and show that the social optimum is achieved. After establishing the benchmark of perfect competition, we study various market frictions that lead to market failure, including externality, common access, and asymmetric information. Our analysis on asymmetric information would put particular emphasis on how market participants respond to incentives.

Intended Learning Outcomes (ILO)

By the end of this course, you (as a student) would be able to:

1. Explain why markets often work;
2. Explain why markets may sometimes fail;
3. Analyze the effects of government policies on market;
4. Analyze how market participants respond to incentives they are facing.

Course Content

1. Welfare economics: public choice
2. Welfare economics: utilitarianism
3. Consumers' and producers' surplus
4. Competitive equilibrium and effect of government policies
5. Externality
6. Common property and public goods
7. Risk and Uncertainty
8. Adverse selection
9. Signaling
10. Moral Hazard
11. Auction

Assessment (includes both continuous and summative assessment)

Continuous Assessment : 100%

Reading and References

Varian Varian, H.R.
 Intermediate microeconomics: a modern approach
 WW Norton & Company, 11th edition.

Course Instructors

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Planned Weekly Schedule

Week	Topic	Course LO	Readings/ Activities
1	Welfare: public choice	1-2	Varian Ch. 34
2	Welfare: utilitarianism	1-2	Varian Ch. 34
3	Consumers' and producers' surplus and competitive equilibrium	1-3	Varian Ch. 14-16
4	Externality	1-3	Varian Ch. 35
5	Public goods and common properties	2-3	Varian Ch. 35 & 37
6	Risk and uncertainty	4	Varian Ch. 12
7	Midterm	1-3	N/A
Recess Week			
8	Adverse selection	2-4	Varian Ch. 38
9	Signaling	2-4	Varian Ch. 38
10	Moral hazard	2-4	Varian Ch. 38
11	Auction	2-4	Varian Ch. 18
12	Revision	1-4	N/A
13	Revision	1-4	N/A