

# ECON 3018 MICROECONOMIC THEORY AND APPLICATIONS

**Credit Points** 10

**Legacy Code** 200530

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**Description** In 2016, this unit replaced by 200923 - Corporations, Economic Power and Policy. The aim of Microeconomic Theory and Applications is to extend students' knowledge of microeconomic theory developed in Principles of Economics. After a more formal presentation, the rather idealistic assumptions used in the context of the perfectly competitive markets will be relaxed in order to model typical situations encountered in the business world. The theory of choice will be extended to situations where individuals face uncertainty regarding the outcome of their own actions. In terms of market structure, we will investigate the consequences in terms of price, quantity and consumer's surplus, of monopoly, oligopoly or duopoly markets. As some of these market structures imply that the individuals' decisions might strongly affect or be affected by a limited number of other decision makers, an introduction to Game Theory will be presented. Finally, our concerns for investigating more realistic economic situations will lead us to make a brief incursion into markets characterised by asymmetric information, the presence of public goods or the existence of externalities.

**School** Business

**Discipline** Economics

**Student Contribution Band** HECS Band 4 10cp

Check your HECS Band contribution amount via the Fees ([https://www.westernsydney.edu.au/currentstudents/current\\_students/fees/](https://www.westernsydney.edu.au/currentstudents/current_students/fees/)) page.

**Level** Undergraduate Level 3 subject

**Pre-requisite(s)** ECON 1011 OR  
ECON 1006

**Equivalent Subjects** LGYA 4313 - Industry Economics and Policy

## Learning Outcomes

On successful completion of this subject, students should be able to:

1. Apply theoretical microeconomic concepts to the analysis of agent's behaviour.
2. Model strategic behaviour between firms and powerful actors.
3. Demonstrate understanding of the role of markets in coordinating optimal decisions of decentralised decision makers.
4. Demonstrate understanding of sophisticated markets and their welfare implications.
5. Examine market failures and how to redress them.
6. Examine the consequences of asymmetric information on the market outcome and their cures.
7. Demonstrate understanding of social welfare, equity and economic efficiency.

## Subject Content

Introduction: Markets and prices. The basics of supply and demand.

The analysis of competitive markets.

Consumer behaviour ? Individual and market demand.

Demand theory: A mathematical treatment.

Production and costs.

Monopoly and pricing with market power.

Monopolistic competition and oligopoly.

Game theory and competitive strategy.

General equilibrium and economic efficiency.

Markets with asymmetric information.

Externalities and public goods.

**Prescribed Texts**

- Pindyck, RS & Rubinfeld, DL 2009, Microeconomics, 7th edn, Pearson Prentice Hall.

**Teaching Periods**