LEAD CITY UNIVERSITY

Faculty of Social and Management Sciences

Department of Economics

COURSE PARTICULARS

Course Code:	ECO 311
Course Title:	Intermediate Microeconomics II
Number of Units:	2
Status:	Compulsory

LECTURERS DETAIL

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Area of Specialization:		Monetary Economics

COURSE DESCRIPTION

Further advanced discussions on market structures and output under perfect competition; pricing and output decisions under monopoly; monopolistic competition; oligopoly and duopoly; theory of distribution; input pricing and employment under imperfect competition; general equilibrium of exchange (Edgeworth Box Phenomenon)

COURSE OBJECTIVES

The course is expected to achieve the following objectives:

a. To have deeper meaning of theory of Market Structure
b. To expose students to theory of Distribution
c. To expose students to general equilibrium theory.

ASSESSMENT

Attendance 10 marks

Test 20 marks

Exam 70 marks

Total 100 marks

TEACHING PLAN

Week	**Topics**
Week 1 - 2	Market Structure and Output under Perfect Competition
Week 3 – 4	Pricing and Output Decision under Monopoly
Week 5 - 6	Monopolistic Competition
Week 7 – 8	Oligopoly and Duopoly
Week 9 - 10	Theory of Distribution
Week 11- 12	Input pricing and employment under imperfect competition
Week 13	General Equilibrium of Exchange (Edgeworth Box Phenomenon)
Week 14	Revision and Examination

READING LISTS

1. H. Varians (2005). Intermediate Microeconomic: A Modern Approach 7th Edition, W.W. Norton & Company, New York.
2. Mansfield, R. (2000). Microeconomic Analysis. Routledge Publication, London
3. Henderson, J. And R. Quandt (1980). Microeconomic Theory: A Mathematical Approach, 3rd Edition, International Student Edition, McGraw-Hill International Book Company, London.
4. Bilas, R. (2005). Microeconomic Theory. Seventh Edition, International Student Edition. McGraw-Hill International Book Company, New York.

TUTORIAL QUESTIONS

1. The long-run equilibrium properties for a perfectly competitive firm is summarized as a triple equality in which *P* = *MC* = min (*AVC*). Show how the firm can arrive at this state. Specify your assumptions clearly.

2. Explain carefully the conditions under which a firm can
   a. maximise short-run profit;
   b. minimise short-run loss;
   c. decide to close down.

3. Consider a perfectly competitive firm with cost function TC = 100 + q^2 with the market price of P = 50
   a. Find the level of q that the firm should produce to maximize profit
   b. calculate the level profits that firm earns

4. Consider a firm with total revenue of TR = $5000, variable costs of TVC = $4000 and fixed costs of TFC = $3000. Use this information to determine and explain whether the firm should stay open or shut down

5. Indicate whether the following statements are TRUE, FALSE, or UNCERTAIN and give a brief explanation for your choice
   a. 'Perfect competition' is just another terminology for 'pure competition'.
   b. A perfectly competitive market is a market where competition to manipulate prices among economic agents is very keen.
   c. Under perfect competition, marginal revenue is the same thing as price as well as average revenue.
   d. The consumer is always 'king' in a perfectly competitive market.
   e. A perfectly competitive firm cannot achieve a long-run equilibrium if its average variable cost is influenced by substantial scale economies.

6. Define the 'supply curve' of a perfectly competitive firm and show how it is derived. Would this shape of supply curve be maintained in the long-run? Give reasons.

7. Consider a market where 46 firms are in operation in the short run. Each firm's cost function is $TC = 100 + q^2$. The market demand function is $Q^D = 1000 – 2P$. Calculate the short run market equilibrium. Determine the equilibrium price and quantity.

8. Why is it difficult to identify a 'pure' monopoly in real life? Discuss the bases for 'real world' monopoly power.

9. Explain carefully why:

a. price is different from marginal revenue for the monopolist;
b. a monopolist has a supply point rather than a supply curve.

10. Explain, using an appropriate diagram, how a monopolist can *successfully* practise price discrimination in the sale of Fanta in two markets – Aba (in Abia State) and Benin (in Edo State) of Nigeria.

11. Using appropriate diagram describe how the monopolist maximises profit in the short-run.

12. Suppose a currency minting (monopoly) firm faces the following demand (*D*) and cost (*C*) functions;

$P = 50\text{-}4$ and

$C = 5 + 10_q$ where q is quantity.

Use the above information to:

a. find the monopolist's optimum quantity q^* and price, p^*;
b. find the monopolist's maximum profit, and