Title: Price Theory
Abbreviation and Number: ECON312  
School: Business
Department: Banking, Economics and Finance
Credits: 3
Pre-requisite(s): ECON212
Course Outline

Course Sequence: ( ) Fall ( X ) Spring ( ) Fall and Spring
Hours Per Week: ( 3 ) Lecture ( ) Seminar ( ) Laboratory ( ) Studio ( ) Kitchen
( ) Other (Specify)

Pre-requisite(s): ECON212
Co-requisite(s): None

COURSE DESCRIPTION
Students cover concepts and analytical tools used to evaluate market structures. They focus on the analysis of firms, industries and the microeconomy. Emphasis is placed on the importance of efficiency, cost, productivity, demand analysis and microeconomic policy.

SPECIFIC OBJECTIVES
Upon successful completion of this course, students will be able to
1) Utilise price theory tools and concepts to analyse microeconomic problems;
2) Evaluate various supply and demand graphs relevant to microeconomic industry groups;
3) Recommend microeconomic policy to deal with problems of industry and consumers; and
4) Demonstrate the use of short and long-run cost curves in microeconomic analysis.

COURSE CONTENT

I. Microeconomic Concepts
   A. Demand and supply
   B. Scarcity and choice
   C. Industry groups
      i. Pure competition
      ii. Monopoly
      iii. Monopolistic competition
      iv. Oligopoly

II. Theory of Preferences
    A. Utility and indifference curve analysis
    B. Constructing indifference maps and their use in microeconomic analysis
    C. Graphic presentations of preferences and interpretation of indifference curves

III. Consumer Choice Analysis
    A. Budget lines
    B. Consumer optimisation
    C. Income and price changes and their applications
    D. Income and substitution effects

IV. Risk Analysis
    A. Aversion
    B. Alternative to risk aversion
    C. Risk sharing
       Hedging and diversification
    D. Applications to insurance and portfolio

V. Short and Long-run Analysis
    A. Competition and social welfare
    B. Production process
       Fixed and variable inputs
    C. Microeconomic analysis of human capital and other inputs

VI. Industry Groups on Market Structures
    A. Pure competition
    B. Monopoly
    C. Monopolistic competition
    D. Oligopoly
VII. Game Theory
A. Dominant-strategy equilibrium
B. Mixed strategies
C. Sequential-move games
D. Applications

VIII. Collusion in Oligopoly
A. Duopoly
B. Dominant firm model
C. Joint profit maximization
D. Strategies to deal with collusion and efficiency

IX. Microeconomic Analysis of Labour Markets
A. Input and output analysis
B. Pricing of factors of production
C. Firms’ demand for factors of production
D. Role of unions in labour pricing and productivity

X. Information Economics
A. Externalities and public goods
B. Coase Theorem
C. Efficient provision of public goods

ASSESSMENT
Assignments............................................10%
Project...................................................20%
In-Class Tests...........................................40%
Final Examination....................................30%
TOTAL...............................................100%

REQUIRED TEXT

SUPPLEMENTARY READINGS/MATERIALS

JOURNALS
Cambridge Journal of Economics
Caribbean Journal LLC
Economia: Journal of the Latin American and Caribbean Economics
Explorations in Economic History
The Journal of Economic Theory
Quarterly Review of Central Bank of The Bahamas
Quarterly Review of the Federal Reserve Bank of Atlanta
Review of Economics and Statistics
Small Business Economics

WEBSITES
www.bahamas.gov.bs
www.bls.gov.
www.caribjournal.com
www.ccmf-uwi.org
www.centralbankbahamas.com
www.essentialmicroeconomics.com
www.fool.com
www.forbes.com/fdc/welcome_mjx.shtml
www.marketwatch.com