

Part IIB Outlines

Part IIB Paper 1 Microeconomic Principles and Problems

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Paper content

The paper concerns the application of microeconomics to economic problems. The course consists of five lecture courses (detailed below) that between them cover the following broad topics: the general theory of second best, social cost-benefit analysis, and contracts, education and health.

Aims

The aim of the paper is to illustrate the economic analysis of microeconomic problems and their potential solutions. The lectures incorporate comparative, theoretical and empirical approaches to economic problems and policies. They provide information on both the particular area of economic policy and the nature of the economic analysis that applies to it.

Objectives

Students should acquire knowledge of the application of microeconomic principles to the following topics among others: the general theory of second best; social cost-benefit analysis; the Diamond-Mirrlees production efficiency result; contracts and regulation, the provision of publicly provided goods and services such as education and health services; and quasi-markets.

Lecture Courses

Second Best Theory (Dr TS Aidt, 8 lectures, weeks 1-4, Michaelmas Term)

These lectures will build on the course on General Equilibrium, Externalities and Welfare from Part I and demonstrate how the principles of welfare economics can be applied to the study of optimal policy in a second best world. The focus will be on design of optimal policy rules (in particular for taxation), efficiency results, and tax reform.

Social Cost Benefit Analysis (Dr TS Aidt, 8 lectures, weeks 5-8, Lent)

These lectures will build on the course on General Equilibrium, Externalities and Welfare from Part I and demonstrate how the principles of welfare economics can be applied to social cost benefit analysis. The focus will be on the principles behind social cost benefit analysis, opportunity cost, shadow prices and social discounting.

Contracts, Education and Health (16 lectures, weeks 1-8, Lent Term)

These lectures will build on the course on Economics of Uncertainty and Information from Part IIA and demonstrate how the theory of information economics and other principles of applied welfare economics can be applied to contracts, health and education economics.

Preliminary reading

Hindriks, J. and G.D. Myles, 2006. Intermediate Public Economics, MIT Press.

Stiglitz, J.E., and Rosengard, R.K. 2015. Economics of the Public Sector, W.W. Norton. 4th Edition (International Student Edition).

Zweifel, P. and F.Breyer, 1997. Health Economics.

Becker, G., 1975. Human Capital, 2nd ed.

Each lecturer will provide a detailed reading list for the relevant courses.

Supervision

Director of Studies arrange supervisors for all supervisions. Seven supervision sheets with suggested supervision questions will be available from the paper's Moodle page. Sample answers for potential supervisors are available from the Directors of Studies Moodle site.

Examination

For details of the examination structure, please refer to the Form and Conduct Notice pages on Moodle. Notice that the structure was changed in 2021 and that the same structure will apply in 2022.