

Intermediate Microeconomics Theory
Econ 303-Section 08, Fall 2019
Mondays, Wednesdays, and Fridays 1:00-1:50 PM
TYLER 123

Instructor Safoora Javadi

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Office Tyler Hall 441

Office Hours MWF 2:00-3:00 pm and Tue-Thu 10:00-11:00 am

NOTE: The scheduled office hours are times during which I will be available to meet with students on a walk-in basis. Students are also invited to contact me to set up special appointments at other time (attendance mandatory).

Course Description

Microeconomics is the analysis of decisions by individual consumers, workers, and firms and of equilibrium outcomes that result from them. This course will introduce the major concepts, models, and results from this field. Once students master these tools, they can apply them to a wide range of practical problems, real-world decisions, and public policy issues. The class thus forms a foundation (and is a pre-requisite) for most upper-level coursework in economics, including public finance, industrial organization and game theory, labor and health economics, economic development, international trade, and urban and environmental economics.

Required Textbook

Perloff, Jeffrey M. 2018. *Microeconomics*, 8th edition. New York: Pearson.

NOTE: **It is NOT essential to use the most recent edition. Older editions are likely to be much less expensive, and they are equally good for the purposes of this class**

Course Evaluation

Your grade will be based on two midterm exams (each 20 percent), a final exam (30 percent), homework (20 percent), class participation (5 percent), and pop-up quizzes (5 percent).

Components	Points	Notes
Assignments (Best 5 out of 6)	200	<ul style="list-style-type: none">- There will be several homework assignments in the class. You will generally have one week to complete the assignment. Because discussion promotes learning, students are encouraged to work together and discuss homework assignments. However, each student must submit assignments individually—in his or her own words—and properly acknowledge all sources and assistance received.- Homework must be turned in on time. Late work will not be accepted.
Class Participation	50	<ul style="list-style-type: none">- Attendance and promptness are mandatory. Obviously, you will learn more (and probably a lot more) if you are actively involved in the class. Beyond that, your active participation will help your <i>classmates</i> learn more as well. For instance, when you ask a question in class, you identify a concern that is likely shared by many of your fellow students. Similarly, bringing up a new example in discussion will help others see how the course material can be applied in practice.- If you choose not to attend a lecture, it is your responsibility to be informed of any changes made during the lectures about the syllabus or exams and get a copy of the class notes.
Pop-up Quiz (Best 4 of 6)	50	At the beginning of 1/3 of the classes we will have some pop-up quizzes. I will randomly collect six of these and grade them.

Components	Points	Notes
Midterm Exam1	200	Monday Oct 7th . The midterm exam1 will cover all topics that have been discussed in class prior to that point. Most exam questions will have either a "short answer" form (where the desired answer is 1-2 sentences) or an analytical form (where the answer will involve a calculation, a graph, or interpretation of a similar exercise).
Midterm Exam2	200	Monday Nov 11th . The midterm exam2 will <u>emphasize</u> the material that have been discussed in class after the first exam.
Final Exam	300	Thursday Dec 12th 2:00-5:00 PM . The final exam will emphasize the material from the second half of the course, but it will also include some questions on topics from the first half; this is unavoidable because the latter models build upon those presented earlier in the semester.

Course Outline (with references to the associated chapters in Perloff's textbook)

I. Introduction and review

A. Methodological issues (Ch. 1)

1. The economic approach
2. Role of models in economics
3. Positive versus normative economics

B. Definitions of commonly-arising concepts

1. Elasticity
2. Marginal versus average

C. Baseline model: Supply and Demand (Chs. 2-3)

1. Supply and demand functions
2. Equilibrium

D. Fundamentals of welfare economics (Ch. 9)

1. Gains from trade: consumer surplus and producer surplus
2. Deadweight loss

II. Theory of Consumer Demand (Chs. 4-5)

A. Fundamentals

1. Budget constraints
2. Preferences and utility

B. Consumer demand: Choosing optimal bundles of goods

C. Individuals' demand curves

1. Price and income elasticities
2. Decomposing price elasticities: Income and substitution effects
3. Applications: Price indices
4. Application: Labor supply

III. Theory of Supply

A. Overview

1. Profit maximization (Ch. 8.1-8.2)
2. Marginal revenue (Ch. 11.1)
3. Costs and marginal cost (Ch. 7.1-7.2)

B. Production (Ch. 6)

1. Production functions and isocost lines
 - a. Isoquants and substitutability of inputs

- b. Returns to scale
 - c. Isocost lines
 - 2. Production decisions
 - a. In the short-run
 - b. In the long-run
 - C. Cost functions in the short- and long-Runs (Ch. 7)
 - D. Demand for factors of production (inputs) (Chs. 15.1)
 - E. Aggregate supply under perfect competition (Ch. 8.3-8.4)
 - F. Supply under monopoly (11.1)
- IV. Pareto efficiency and the First (Fundamental) Welfare Theorem (Ch. 10)
- V. Other important tools
- A. Risk (Ch. 17)
 - B. Intertemporal choice and asset markets (Ch. 16)
- VI. Market failures: Conditions under which the First Welfare Theorem does not apply
- A. Other market structures
 - 1. Monopoly (Chs. 11, 12)
 - a. Sources of monopoly power
 - b. Monopoly and social welfare
 - c. Price discrimination (Ch. 12)
 - d. Monopoly and monopsony in factor markets (Ch. 15.2-15.3)
 - 2. Monopolistic competition (Ch 13.6)
 - 3. Oligopoly (Chs. 13, 14)
 - a. Primer on game theory
 - b. Cournot, Bertrand, and Stackelberg equilibria
 - B. Externalities, public goods, and common resources (Ch. 18)
 - C. Asymmetric Information (Ch. 19-20)

Expectations and General Orientation:

- Plan to spend about 2 hours on each homework assignment. If it is taking you much longer, consider coming to my office hours or making an appointment to see if there is any way to streamline the process.
- Most topics build upon other topics covered earlier in the semester, so it is important to maintain your effort throughout the semester so that you do not fall behind.
- Students should come to class prepared. At the least, this means skimming over your notes from the last class session, but obviously it would be better to do more—read all assignments, study your notes, identify questions you have, etc.
- Please turn off and store cell phones before class. The material in this class is at times detailed and/or technical, so students are advised to give it their full attention.
- Please come to my office hours or make an appointment to resolve any concerns or difficulties you may have.

Grade distribution

Your Score	Grade	Your Score	Grade	Your Score	Grade	Your Score	Grade
93% to 100%	A	83% to 86%	B	73% to 76%	C	63% to 66%	D
90% to 92%	A-	80% to 82%	B-	70% to 72%	C-	60% to 62%	D-
87% to 89%	B+	77% to 79%	C+	67% to 69%	D+	Below 59%	F

Important dates to remember

Add/Drop deadline: **Friday Sep 6th**

Fall break: Saturday-Tuesday **Oct 12-15th**

Withdraw deadline: Friday **Oct 25th**

Thanksgiving Holiday: Wednesday-Sunday **Nov 27th-December 1st**