

Intermediate Microeconomics Theory
Econ 303-Section 02, Spring 2020
Tuesdays-Thursdays 2:00 - 3:20 PM
TYLER 123

Instructor Safoora Javadi

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Office Hours Wednesdays 1:30-4:30 pm

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**

Requirements

Students should have completed Econ 101 or 151. I will assume a basic vocabulary of economic terms and concepts. I will describe how to approach certain problems using calculus but will not assume you have a background in calculus. In situations on problem sets or exams where calculus may be helpful, I will provide assistance with taking derivatives or integrals.

Course Evaluation

Your grade will be based on two midterm exams (each 25 percent), a final exam (30 percent), homework (15 percent), and class participation (5 percent).

Components	Points	Notes
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.- If you choose not to attend a lecture, it is <u>your responsibility</u> to be informed of any changes made during the lectures about the syllabus or exams and get a copy of the class notes.
Assignments (Best 6 out of 7)	150	<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 <u>encouraged to work together</u> and discuss homework assignments. However, each student must submit assignments individually. This does not mean turning in multiple copies of the same solutions. Learning how to formulate your own solutions and explanations is a valuable component of the problem sets.- Homework must be turned in on time. Late work will not be accepted as solutions for each problem set will be posted immediately after the problem sets are due.

Components	Points	Notes
Midterm Exam1	250	Tuesday March 3rd . The midterm exam1 will cover all topics that have been discussed in class prior to that point.
Midterm Exam2	250	Tuesday April 14th . The midterm exam2 will emphasize the material that have been discussed in class after the first exam.
Final Exam	300	Wednesday May 13th 2:00-5:00 PM . The final exam will not be cumulative, but it will also include some questions on topics from the earlier materials covered in class; this is unavoidable because the latter models build upon those presented earlier in the semester.

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. To avoid stress, do not procrastinate and wait until the last night before the test.
- 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.

Honor Code

You are expected to follow the William & Mary Honor Code. If I discover any academic misconduct, I will initiate an Honor Council proceeding and recommend failure of the course. If you have any questions about how the Honor Code relates to this course, feel free to talk to me or refer to the Student Handbook and the William & Mary Honor Council's website.

Grade Distribution

Your Score	Grade	Your Score	Grade	Your Score	Grade	Your Score	Grade
95% to 100%	A	83% to 86%	B	73% to 76%	C	63% to 66%	D
90% to 94%	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 January 31st**
- Spring break: **Saturday-Sunday March 7-15th**
- Withdraw deadline: Friday **March 23rd**

I. Introduction and review

- A. Definitions of commonly-arising concepts
 - 1. Elasticity
 - 2. Marginal versus average
- B. Baseline model: Supply and Demand (Chs. 2-3)
 - 1. Supply and demand functions
 - 2. Equilibrium
- C. 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

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. Market failures: Conditions under which the First Welfare Theorem does not apply

- 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

Week	Day	Date	Topic	Assignment
Week 1	Tuesday	21-Jan		
	Thursday	23-Jan	Definitions of commonly-arising concepts	
Week 2	Tuesday	28-Jan	Definitions of commonly-arising concepts	
	Thursday	30-Jan	Definitions of commonly-arising concepts	Assignment 1
Week 3	Tuesday	4-Feb	Supply and Demand	
	Thursday	6-Feb	Fundamentals of welfare economics	Assignment 1-Due
Week 4	Tuesday	11-Feb	Budget constraints	Assignment 2
	Thursday	13-Feb	Preferences and utility	
Week 5	Tuesday	18-Feb	Consumer demand: Choosing optimal bundles of goods	Assignment 2-Due; Assignment 3
	Thursday	20-Feb	Individuals' demand curves	
Week 6	Tuesday	25-Feb	Individuals' demand curves	Assignment 3 Due ;
	Thursday	27-Feb	Review Exam 1	
Week 7	Tuesday	3-March	Exam1	
	Thursday	5-March	Theory of Supply- Overview	
Week 8	Tuesday	10-March	Spring Break	
	Thursday	12-March	Spring Break	
Week 9	Tuesday	17-March	Theory of Supply- Overview	Assignment 4
	Thursday	19-March	Theory of Supply- Production	
Week 10	Tuesday	24-March	Theory of Supply- Production	Assignment 4-Due
	Thursday	26-March	Theory of Supply- Production	
Week 11	Tuesday	31-March	Theory of Supply- Production	Assignment 5
	Thursday	2-April	Pareto efficiency and the First (Fundamental) Welfare Theorem (Ch. 10)	

Week	Day	Date	Topic	Assignment
Week 12	Tuesday	7-April	Pareto efficiency and the First (Fundamental) Welfare Theorem (Ch. 10)	Assignment 5-Due
	Thursday	9-April	Review Exam 2	
Week 13	Tuesday	14-April	Exam2	
	Thursday	16-April	Monopoly	
Week 14	Tuesday	21-April	Monopoly	
	Thursday	23-April	Monopoly	
Week 15	Tuesday	28-April	Monopolistic competition	Assignment 6
	Thursday	30-April	Oligopoly	
Week 16	Tuesday	5-May	Oligopoly	Assignment 6-Due
	Thursday	7-May	Oligopoly	