

Economics 360A, Microeconomic Theory (Intermediate)

Fall Semester 2009

Time: Tue Thu T R : 4:25 to 5:50

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All electronic materials and schedule are available on the website:
<http://bingweb.binghamton.edu/~apape/courses/e360/>

Prerequisites: Grade of C or better in ECON 160; also grade of C or better in college level calculus (A- required from 2-year school).

1 Overview

Intermediate microeconomic theory covers the core of modern microeconomics: Consumer and producer theory, supply and demand, the theory of the firm and markets, and information economics. Many of the topics are the same as the introductory course; the same models that the student is familiar with from ECON 160 will be covered here in more detail, with more rigor, and with more extensions.

1.1 Objectives

1. The students will define and understand supply and demand
2. The student will be able to bring the supply & demand model to current social/economic/political issues to aid in understanding those issues
3. The student will learn the basic framework of rational choice theory and understand how it can be used to model choices.
4. The student will be able to define ‘rational behavior,’ and determine, in some cases, when choices are rational.
5. The student will be able to apply the model of the profit-maximizing firm to predict firm behavior.
6. The student will learn the framework of strategic thinking including Nash Equilibrium, and be able to use these concepts to predict outcomes of some strategic situations.
7. The student will be able to identify where markets might fail using our models of externalities and public goods

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2 Topics and Schedule

1. **Introduction to the course.** Part 1, chapter 1 and appendix. Topics: what we mean by ‘economic model.’ Refresher of basics of supply and demand. Review of mathematics needed for this course. Length: 1 week (approx)
2. **Demand.** Part 2, chapters 2, 3, 4 (in that order). Rational choice theory, how to model choice, how economists use ‘utility,’ how to construct the demand curve. Length: 3 weeks.
3. **MIDTERM 1.**
4. **Supply.** Part 4, chapters 7, 8, 9 (in that order). The model of the firm; what are costs, how do firms maximize profits, what does that mean for firm behavior. Length: 2 weeks.
5. **Perfect Competition.** Part 5, chapters 10, 11. The theory of the market: bringing supply & demand together. Length: 2 weeks. (Approx 1 week per chapter.)
6. **MIDTERM 2.**
7. **Uncertainty, Strategy, and Game Theory.** Part 3, chapters 5, 6. Decision making under risk, and strategic thinking: game theory. Length: 2 weeks.
8. **Market Failures: Externalities and Public Goods.** Part 7, chapter 18. Length: 1 week.
9. **FINAL.** TBA (follows official time).

3 Course materials

Microeconomics: Theory and Applications with Calculus by Jeffrey M. Perloff. Publisher: Pearson / Prentice Hall, ISBN-10: 0321277945, ISBN-13: 9780321277947

Note that the new textbook includes online access, which I will **NOT** be using; therefore, feel free to purchase a used or international edition of the textbook. (See course webpage for links.) Note furthermore that I find many intermediate microeconomics texts to be very similar, and I do not ask questions directly from the book.

I also communicate frequently via email and put all materials on the website. Any handouts, etc., that you are responsible for will be posted on the website and I will alert you via email.

4 Course Requirements and Grading

There will be two components to the grades in this course:

4.1 Homework Assignments

There will be short, weekly or bi-weekly **homework assignments** throughout the semester. I will post the homework assignments on the webpage, and email and notify you in class when they are available. Homework assignments will be 20% of the final grade, and will all count equally. You will have a week to complete each assignment.

I encourage you to work in groups on the homework assignments. I think that is an effective way to learn this material, and one of the most effective ways that I learned the material. If you work in a group, put the names of the people you worked with on the top of your homework.

The grading of the homework will be: (X, check-minus, check, check-plus.)

4.2 Three Examinations

There are **three examinations**. See Topics and Schedule (section ??) for dates

There will be two **midterms**. The first midterm will, of course, cover material since the beginning of the course. The second midterm will cover material since the first midterm. Each midterm is worth 25% of your final grade.

The final is cumulative, and will cover material for the whole semester (although it will be weighted toward the material covered since the second midterm.) The final will be worth 30% of your final grade.

The best indicator of the type of questions that are on these exams is the homework.

4.3 Course Requirements Summary

Homework Assignments:	20%
Midterm 1:	25%
Midterm 2:	25%
Final Exam:	30%
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Total	100%

5 Class Policies

5.1 The Star System for Question Difficulty

I attempt to **communicate the difficulty** of questions to you through the following system. Questions, on the homeworks and exams, will have zero through 3 stars, where more stars signals higher difficulty. Difficulty relates generally to how you use the material in class. My feeling on the meaning of the stars are:

1. If you have a basic understanding of the core concepts provided in class, you should be able to answer all the zero star questions.
2. If you have a good understanding of the concepts in class, you should be able to answer the one star questions.
3. If you have a good understanding of the concepts in class and can apply them, you should be able to answer the two star questions.
4. If you can move beyond the concepts in class and apply them in novel ways, you should be able to answer the three star questions.

The **purpose** of this system is so that you can evaluate how long to spend on particular questions, and how much effort you should have to expend on these questions.

The stars relate to *exam grades* in the following way:

1. Getting all zero star questions will be enough to pass (25% of points)
2. Getting all the zero and one star questions will be the HIGHEST C+ (50% of points)
3. Getting all zero, one, and two star questions will be the HIGHEST B+ (75% of points)
4. Getting all zero, one, two, and three star questions will be the HIGHEST A (100% of points)

Note: points are points, so if you miss some zero star questions but get three star questions, they will compensate.

5.2 Attendance, Office Hours

I believe in evaluating you based on your mastery of the material; therefore attendance is not a component of the final grade. I believe that attending my lectures and office hours will be useful in attaining mastery of the material in the class, so I recommend attending and taking notes.

5.3 ECONOMICS DEPARTMENT POLICY REGARDING MAKE-UP FINAL EXAMS: Fall 2009

ALL makeup final exams in Economics will be given at the same time. All officially scheduled final exams are linked from the BU Brain check NOW for conflicts. If a conflict exists you may request a make-up exam from the instructor of ANY of the conflicting courses. If you choose to request a make-up exam for an economics course, a sign-up list to request the make-up exam will be available in class after the add/drop deadline ask the instructor.

It is the student's responsibility to learn from the instructor if the request has been approved. Only students who are approved may take a makeup final exam. Students who have not requested a make-up exam in an economics course by the deadline will be required to resolve conflicting exams with the instructor in one of their other courses.

Makeup exams are approved ONLY for the following conditions:

- Conflicts with the OFFICIAL final exam schedule (e.g. exams at the same time or more than two exams within 24 hours).
- DOCUMENTED personal illness or family emergency.