

Economics 201
Intermediate Microeconomics
Fall 1996

Instructor: Dr. Frank Maddox
316 Seney Hall
Phone: 784-8357
Office Hours: MWF 10:00-12:00
TTh 11:00-12:00; 1:00-2:00

Course Description: Econ 201 deals with contemporary microeconomic theory. Building upon concepts developed in the principles level course, Ec201 formalizes the theory using mathematical as well as graphical analysis. The course is designed for students who wish access to material covered in higher level micro courses; Ec201 is typically taken by students who intend to take a variety of upper level economics courses such as international trade theory, labor economics, etc. Ec201 is also appropriate for students who anticipate studying a business curriculum.

The course opens with a review of the market mechanism familiar from the principles course. Next, a model of consumer behavior is generated to provide basis for the demand schedule of the market mechanism. This consumer model, which is based upon the utility maximization principle, is presented graphically using indifference curve analysis.

The behavior of firms is examined next. The short-run production function and resultant cost function of the firm is examined in detail. The four industry models of perfect competition, monopolistic competition, oligopoly, and monopoly are examined. In all cases the behavior of the firm is postulated given the assumption of a profit maximization motive.

Resource markets are examined with special emphasis upon labor markets. Finally, general equilibrium analysis allows the student to observe the interdependence of the different markets examined in isolation during the semester. The course also examines different situations in which market failure provides justification for various types of government intervention.

Course Objective: The goal of Econ 201 is to develop a framework of analysis for understanding the behavior and outcomes resulting from activity in individual markets. Students will manipulate graphical and mathematical models which allow a more precise analysis than was possible at the principles level. The course will provide the student with analytical tools necessary for higher level economics and business courses.

Method of Instruction: Econ 201 is taught through a combination of lecture, discussion, homework and examinations. Case studies are used to provide the students with real world applications of theoretical material.

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Texts Required to be Purchased by Student:

Browning, Edgar K., and Zupan, Mark A. Microeconomic Theory and Applications, 5th edition. Harper Collins Publishers, 1996.

Examinations, Homeworks, ad Quizzes: There will be three in-term exams and a comprehensive final examination. Several homeworks will be assigned during the semester. No late homeworks will be accepted. Several announced quizzes may be given during the semester. Students will no be allowed to make-up quizzes.

Grading Policy: Each in-term exam will account for 20% of the course grade. The comprehensive final will account for 25% of the grade. Homeworks/quizzes will account for the remaining 15% of the grade. Exams and homeworks/quizzes will be graded numerically. Your numerical average will be converted into a letter grade:

A	= 94 up to 100
A-	= 90 up to 94
B+	= 87 up to 90
B	= 84 up to 87
B-	= 80 up to 84
C+	= 77 up to 80
C	= 74 up to 77
C-	= 70 up to 74
D+	= 67 up to 70
D	= 60 up to 70
F	= 0 up to 60
A	= 94 up to 100

Attendance Policy: Attendance is required and will be recorded each class period. A point will be taken from the student's final numerical score for each absence in excess of four absences.

Make-up Examination Policy: Make-ups will be permitted only with written support (approved by the instructor) of serious situations which preclude the student's ability to take the exam during the scheduled time.

Important Dates

September 26 - exam 1
October 2 - Last day to withdraw
October 31 - exam 2
December 5 - exam 3

Course Outline

- Week 1 August 29 - Introduction- Math Review
Chapter 1- An introduction to Microeconomics
- Week 2; September 3-6 - Supply and Demand Analysis; Elasticity ; Consumer and Producer Surplus; Government Intervention
Chapter 2 - Supply and Demand
Chapter 3 - Using the Supply-Demand Model
- Week 3; September 9-13 - Indifference Curve Analysis; geometry of budget lines; impact of income and substitution effects of price changes; utility maximization; price changes and consumption choices; derivation of the demand curve; Giffen goods.
Chapter 4 - The Theory of Consumer Choice
Chapter 5 - Individual and Market Demand
- Week 4; September 16-20 - Excise Subsidies; vouchers, taxes and tax rebates.
Production Theory. Short-run vs. Long-run. Isoquant analysis. Returns to scale.
Empirical Estimation of Production functions.
Chapter 6 - Using Consumer Choice Theory
Chapter 8 - Production
- Week 5; September 23-27; The Nature of Cost. Short-run and long-run cost curves. The geometry of cost curves and duality. Input price changes and cost curves.
Economics of scope.
Chapter 9 - The cost of production
Exam 1 ; Chapters 1-6; 8,9
- Week 6; September 30 - October 4; Perfect Competition; profit maximization; short-run versus long-run goals. Derivation of the firm and industry supply schedule.
Constant-cost, Increasing-cost, and decreasing cost Industries. Monopoly.
Sources of monopoly power. Efficiency Effects of Monopoly. Regulation of monopolies.
Chapter 10 - Profit Maximization in Perfectly Competitive Markets
Chapter 11 - Using the Competitive Model
Chapter 12 - Monopoly

- Week 7; October 7-11; Price Discrimination. Two-part tariffs. Intertemporal Price discrimination; Peak-load Pricing. Monopolistic Competition and efficiency.
Chapter 13 - Product Pricing with Monopoly Power
Chapter 14 - Monopolistic Competition and Oligopoly
- Week 8; October 14-18; Cournot Model, Stackelberg Model; Dominant Firm Model, Cartels and Collusion.
- Week 9; October 21-25; Game Theory; Prisoners' Dilemma; Asymmetric Information; Adverse Selection and Moral Hazard; Limited Price Information; Advertising theory.
Chapter 15 - Game Theory and the Economics of Information
Chapter 16 - Using Non-Competitive Market Models
- Week 10; October 28-November 1; The Income-leisure choice of the worker; backward-bending labor supply curve. The market supply curve of labor; the general level of wage rates and reasons for wage differences; economic rent; unions; interest rates; the investment demand curve.
Exam II- Chapters 10-16
Chapter 17 - Employment and Pricing of Inputs
Chapter 18 - Wages, Rent, Interest, and Profit
- Week 11; November 4-8; Minimum wage laws; paying for social security; comparable worth policy. Discrimination and employment.
Chapter 19 - Using Input Market Analysis
- Week 12; November 11-15; Two-person Exchange; The Edgeworth Exchange Box; Competitive Equilibrium and Efficient distribution. General Equilibrium
Chapter 7 - Exchange, Efficiency, and Prices
- Week 13; November 18-22; General Equilibrium
Chapter 20 - General Equilibrium
- Week 14; November 25-29; Public Goods and Externalities.
Chapter 21 - Public Goods and Externalities
- Week 15; December 2-6. Catch-up and Review.
Exam 3, Chapters 7, 17-21
- Week 16; December 10 - Review