

Washington & Lee University
Economics 210
Intermediate Microeconomic Theory
Fall, 2009

Instructor: Joseph Guse

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Office Hours: Mondays 2:30-4:30; Tuesdays 9:00-11:00; Thursdays 4:30-6:30

Prerequisites: Differential Calculus and Introductory Microeconomics.

Time and Location:

Section 1: Huntley Hall 221 EF (12:45 - 2:20) Tuesdays, Thursdays

Section 2: Huntley Hall 221 GH (2:30 - 4:05) Tuesdays, Thursdays

A Note on Sections. Please try to attend the section for which you are registered. If, for whatever reason, you cannot make it to your section (doctor appoint, athletic event, etc.) you are welcome to attend the other section, but please don't make it a habit. Thank you.

COURSE DESCRIPTION

Microeconomics is the study of individual economic agents such as households and firms. This course will be largely concerned with models of behaviour - that is ways of thinking about how economic agents make decisions and interact with one another. A model is a simplified formal representation of a more complex system. Good models are built to be as simple as possible while still preserving some essential set of relationships from the system they represent. One advantage of working with formal ("mathematical") models is that assumptions are kept explicit and are therefore always subject to question. Is this a good assumption? Would changing it to better reflect the real world radically change the results of our analysis? At the end of this course, you should gain a healthy skepticism of both over-dependence and under-dependence on formal models in the general discourse. If you are majoring in business, economics or another social science such as political science, this course will have direct value as you go on to employ variations of these models in your respective fields.

LEARNING OBJECTIVES

The standard approach economists take to understanding human behavior is to imagine that individuals have a clear set of choices and are constantly searching for the best available choice that meets their objective - whatever that may be. The core of this course consists of three simple individual-agent optimization problems as well as their composition into models of market behavior. Here is the minimum of what you should know by the end of this course.

- The Consumer's Problem. Given prices and a fixed amount of wealth or income, what is the optimal combination of goods and services to purchase?
- The Firm's Profit Maximization Problem. Given a production technology, factor prices, and an output price, how much should a firm produce to maximize profit?
- The Firm's Cost Minimization Problem. The real problem we imagine firms solving is that of profit maximization, so why even think about cost minimization?

- Partial Market Equilibrium. You will understand how optimizing consumers and profit-maximizing firms determine prices and the distribution of surplus in a competitive market.
- Market Failure. Ideal perfectly competitive markets, of course, do not exist. Markets can fail for any number of reasons. Monopoly and externalities are two. Other sources of market failure such as asymmetric information will be studied as time allows.

TEXT BOOKS

- **Primary.** I will assign readings mainly from Hal Varian's *Intermediate Microeconomics*. Any edition 3rd or later is fine.
- **Strongly Recommended.** *Workouts in Microeconomics* by Bergstrom and Varian.
- **Secondary.** A good supplement is Perloff's *Microeconomics*. Perloff is less technical than Varian and contains many good examples and applications.

GRADING

Grades will be based on weekly homework assignments (10%), quizzes (10%), a midterm exam (30%), a final exam (40%) and class participation (10%).

- Homework Assignments (10%). You are encouraged to form study groups and work together on the homework assignments. However each student must turn in their own write-up. Homeworks will be graded for effort and completion - not necessarily accuracy. You will be responsible for checking the accuracy of your analysis against the answer keys.
- Quizzes (10%). I will occasionally give short unannounced in-class quizzes based on the day's reading or previous lectures. There will be no opportunity to "make-up" a missed quiz - no matter how good your excuse is. However, I will drop your worst quiz score from my grade tally.
- Participation(10%). Participation in classroom discussion and office hours.
- Exams (70%). Exams will be based on the readings, lectures and homeworks. The midterm will be given the evening of Tuesday October 20 after the reading period. The final exam will be administered through the Williams School during exam week.

SCHEDULE OF TOPICS

The following is a tentative list of topics we will do our best to cover in lecture. Most topics follow a chapter in the Varian text. (Vxx = Varian Chapter xx; if you have an older edition, go by the chapter titles not the numbers.) Please read the corresponding chapter **before** coming to class. This schedule is subject to change.

Week of	Tuesday Topic	Thursday Topic
Sept 8		Budget Sets V2
Sept 15	Preferences V3	Utility V4
Sept 22	Choice V5	Demand V6
Sept 29	Slutsky V8	Time V10,[11]
Oct 6	Uncertainty V12,[13]	Technology V18
Oct 13	Profit V19	READING PERIOD
Oct 20	Midterm Review	Cost V 20
Oct 27	Cost Curves V21	Firm Supply V22
Nov 3	Aggregation V15,23	Equilibrium V16
Nov 10	Applications TBA	Monopoly V24
Nov 17	Pricing V25	Externalities V33
Nov 24	THANKSGIVING	NO CLASS
Dec 8	Public Goods V35	Information V36
Dec 1	Experimental Econ	Review