

Economics 201
Intermediate Microeconomics
Fall 1993

Instructor: Dr. Frank Maddox
Seney Hall
Phone: (see directory)
Office Hours: MWF 10:00 - 12:00
TTh 9:00 - 9:30, 11:00 - 12:00
& by appointment

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.

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 courses.

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

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Texts Required to be Purchased by Student:

Browning, Edgar K., and Browning, Jacqueliene M. Microeconomic Theory and Applications, 4th edition. Harper Collins Publishers, 1992.

Gilligan, thomas W., Marino, Anthony M., and Zupan, Mark A. Microeconomic Cases and Applications, 4th edition. Harper Collins Publishers, 1992.

Examinations, Homeworks, and 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 not be allowed to make-up quizzes.

Grading Policy: Each in-term exam will account for 23% of the course grade. The comprehensive final will account for 26% of the grade. Homeworks/quizzes will account for the remaining 10% of the grade. Exams and homeworks/quizzes/ will be graded numerically. Your numerical average will be converted to 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 67
F = 0 up to 60

Attendance Policy: Attendance is required and will be recorded each class period.

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 21 - Exam I
September 24 - Last day to drop without academic penalty
October 7,8 - Mid-semester break
October 26 - Exam II
November 24-26 - Thanksgiving Recess
November 30 - Exam III
December 8 - Final exam (9:00 - 12:00)

Course Outline

Week 1; August 23-27

The Scope of Microeconomic Theory. Market Analysis. Demand and Supply Curves. Legal Prices- ceilings and floors. Consumer Behavior. Modeling Budget Constraints and Consumer Preferences. Indifference curve analysis of consumer choice.

Chapter 1 - Microeconomics and Market Analysis

Chapter 2 - The Theory of Consumer Choice

Week 2; August 30 - September 3

The effect of price changes on consumer choice-- deriving the demand curve. Income and substitution effects of price changes. Market vs. Individual demand. Consumer surplus. Elasticity concepts.

Chapter 2 (cont.)

Chapter 3 - Individual and Market Demand

Chapter 4 - Using Consumer Choice Theory (applications)

Week 3; September 6-10

Two-person Exchange in the Edgeworth Box Diagram.

Chapter 4 (cont.)

Chapter 5 - Exchange, Efficiency, and Prices

Week 4; September 13-17

Inputs to Outputs. Isoquant models. Short-run versus long-run production responses. Diminishing Returns to the Variable input. Returns to Scale. The Nature of Costs. Short-run versus long-run costs. Concepts of duality. Input price changes and cost curves.

Chapter 6 - Production

Chapter 7 - The Costs of Production

Week 5; September 20-24

*****September 21 - Exam 1 - Chpts. 1-7

Profit Maximization. Demand facing the competitive firm. Short-run versus long-run profit maximization. Response to changing prices.

Chapter 8 - Profit Maximization and the Competitive Firm

Week 6; September 27 - October 1

The Assumptions of perfect competition. The short- and long-run supply curves. Industry equilibrium. Efficiency of perfect competition.

Chapter 9 - The Competitive Industry

Chapter 10 - Using the Competitive Model (applications)

Week 7; October 4-8

Sources of Monopoly power. Demand and marginal revenue for a monopolist. Profit maximization. The effect of monopoly. Regulation options. Public policy towards Monopoly.

Chapter 11 - Monopoly

Week 8; October 11-15

Pricing and Output decisions under monopolistic competition. Oligopoly and the Cournot Model. Other Oligopoly models. Collusion and cartels. Game Theory. Moral Hazard. Limited price information.

Chapter 12 - Monopolistic Competition and Oligopoly

Chapter 13 - Game Theory and Econ of Information

Week 9; October 18-22

Chapter 14 - Using Noncompetitive Market Models (application)

Week 10; October 25-29

*****October 26 - Exam II - Chpts. 8-14

The demand for inputs for a competitive firm and industry. The supply of inputs. Input demand and employment by a monopoly. Monopsony.

Chapter 15 - Employment and Pricing of Inputs

Week 11; November 1-5

The income-leisure choice of a worker. The supply of labor. Why wages differ. Economic rent. Borrowing, lending, and the interest rate.

Chapter 16 - Wages, Rent, Interest, and Profit

Chapter 17 - Using Input Market Analysis

Week 12; November 8-12

Partial and General Equilibrium Analysis compared. General equilibrium and production possibilities. The gains from international trade. The notion of economic efficiency. The search for a social welfare function.

Chapter 18 - General Equilibrium Analysis

Chapter 19 - Welfare Economics

Week 13; November 15-19

What are public goods. Efficiency in the provision of a public good. Externalities. Externalities and the assignment of property rights.

Chapter 19 (cont.)

Chapter 20 - Public Goods and Externalities

Week 14; November 22-26

Catch-up and Review

Week 15; November 29 - December 3

*****November 30 - Exam III - Chpts.