Economics 811 - Fall, 2016

Classroom TBA   Professor Walter E. Williams
Office Hours: Mason Hall 158
Tu. 9:00 a.m.-11:00 a.m., 4:00 p.m.-6:30 p.m. and by appointment. Telephone: 703-993-1148

Course Outline

Prerequisites: This class is intended for students accepted into the Ph.D. program, or with the permission of the instructor. The student should have successfully completed the equivalent of at least one semester of intermediate microeconomic theory.

Procedures: Class meetings will provide a mixture of lecture and discussion. Reading assignments are to be read before class meetings. To gain a fuller understanding, some of the assignments must be read several times.

Evaluation: Two major examinations will be given: a midterm (35%) and final (50%). Several problem sets requiring the usage of elementary calculus will be assigned (15%). The approximate weights for computation of class grade are indicated in parenthesis.

Texts: The following are listed as required text:
(1) Jack Hirshleifer & David Hirshleifer, Price Theory and Applications, 7ed. (Cambridge University Press, West Nyack, NY).

(2) Armen Alchian & William R. Allen, Exchange and Production, Competition, Coordination & Control - 3rd Edition (Belmont, California: Wadsworth Publishing Co., 1983).

Most other assigned readings (denoted by asterisk) have been placed on e-reserves. Additional readings may be periodically assigned.

Nota bene: Elementary calculus will be used in class and in work assignments. You should be enrolled concurrently in Mathematical Economics (Economics 630). Those requiring a review might consider purchasing Carl P. Simon & Lawrence Blume, Mathematics for Economists, (W. W. Norton & Company, 1994) Mastery of this level of mathematics is sufficient for this class.

I. Basic Economic Theory (Review)

*1. Alchian & Allen, Exchange and Production, chs. 1, 2.

*2. Hirshleifer & Hirshleifer, Price Theory & Applications, ch. 1.

*3. Vickrey, Microstatics, pp. 3-11.

4. Buchanan & Tullock, The Calculus of Consent, chs. 1, 2.

5. Boulding, A Reconstruction of Economics, pp. 3-38.

6. Wiener, The Human Use of Human Beings, pp. 1-66. (This is perhaps the best popular book on cybernetics.)

Methodology

*1. Friedman, Milton "The Methodology of Positive Economics," in <u>Essays in Positive Economics</u>, pp. 3-43.

*2. Nagel, "Assumptions in Economic Theory," <u>AER</u>, (May 1963), pp. 211-19.

*3. Machlup, "The Problem of Verification in Economics," Southern Economic Journal <u>SEJ</u>, 1955, pp. 1-21.

II. <u>The Theory of Exchange and Demand</u>

A. Exchange

*1. Alchian & Allen, <u>Exchange and Production</u>, ch. 3.

*2. Hirshleifer & Hirshleifer <u>Price Theory & Applications</u>, chs. 2, 14

*3 Vickrey, <u>Microstatics</u>, ch. 3.

4. Smith, Adam, <u>Wealth of Nations</u>, Book I, chs. 1-4.

*5. Demsetz, "Toward a Theory of Property Rights," <u>AER</u>, (May 1967), pp. 347-59.

*6. Posner, <u>Economic Analysis of the Law</u>, chs. 1-2.

7. Demsetz, "The Exchange and Enforcement of Property Rights," <u>JLE</u>, October, 1964.

B. Indifference Curves

*1. Hirshleifer & Hirshleifer, <u>Price Theory & Applications</u>, chs. 3,4.

*2. Vickrey, <u>Microstatics</u>, pp. 20-51.

*3. Baumol, <u>Economic Theory and Operations Analysis</u>, ch. 9.

*4. Hicks, John, <u>Value and Capital</u>, ch. 1.

*5. Buchanan, James, <u>Cost and Choice</u>, ch. 3.

*6. Stigler, George J., & Becker, Gary S., "De Gustibus Non Est Disputandum" <u>AER</u>, (March 1977), pp. 76-90.

C. Demand Theory

*1. Hirshleifer & Hirshleifer <u>Price Theory & Applications</u>, ch. 5.

*2. Alchian & Allen, <u>Exchange and Production</u>, chs. 4, 5.

*3. Friedman, "The Marshallian Demand Curve," in <u>JPE</u>, (December 1949), pp. 463-95.

*4. Bailey, "The Marshallian Demand Curve," <u>JPE</u>, (June 1954), pp. 225-61.

*5. Stigler, "The Economics of Information," Journal of Political Economy <u>JPE</u>, (June, 1961), pp. 213-25.

*6. Hayek, Friedrich, "The Use of Knowledge in Society," <u>AER</u>, 35, (September 1945), pp. 519-530.

<u>Mid-Term Examination</u> (Date to be announced)

III. <u>Cost and Supply</u>

A. Costs & Output

*1. Hirshleifer & Hirshleifer, <u>Price Theory & Applications</u>, ch. 6.

*2   Viner, "Cost Curves and Supply Curves," (Reprinted in <u>AEA</u>, readings).

*3. Baumol, <u>Economic Theory and Operations Analysis</u>, ch. 11.

*4. Alchian, "Costs and Outputs," in <u>The Allocation of Economic Resources</u>, by Moses Abramovitz (1959).

*5. Buchanan, <u>Cost and Choice</u>, chs. 1, 3.

*6. Alchian & Allen, <u>Exchange and Production</u>, chs. 7, 8.

B. The Firm and the Market

*1. Stigler, "The Division of Labor is Limited by the Extent of the Market," <u>JPE</u>, (June 1951), pp. 185-193.

*2. Hirshleifer & Hirshleifer, <u>Price Theory & Applications</u>, ch. 7.

*3. Coase, "The Nature of the Firm," <u>Economica</u>, (November 1937), (Reprinted in AEA readings).

*4. Becker, Gary, "Competition and Democracy," <u>JLE</u>, pp. 105-109.

*5. Coase, "The Problem of Social Cost," <u>JLE</u>, (October 1960), pp. 1-44.

*6. Alchian, "Uncertainty, Evolution and Economic Theory," <u>JPE</u>, June, 1950.

7. Posner, <u>Economic Analysis of Law</u>, ch. 6.

IV. <u>Competition and Monopoly</u>

*1. Hirshleifer & Hirshleifer, <u>Price Theory & Applications</u>, ch. 8.

*2. Alchian and Allen, Exchange and Production, chs. 9, 10, 11.

*3. Alchian and Kessel, "Competition, Monopoly and the Pursuit of Money," in Aspects of Labor Economics.

*4. Demsetz, Harold, "Do Competition and Monopolistic Competition Differ?" JPE, (February, 1959), pp. 146-48.

*5. Posner, Economic Analysis of Law, chs. 7, 9, 10.

V.   Other Models of the Firm

A.   Monopolistic Competition

*1. Hirshleifer & Hirshleifer, Price Theory & Applications, ch. 9.

2.   Chamberlain, The Theory of Monopolistic Competition, chs. 3-5.

*3. Baumol, Economic Theory and Operations Analysis, ch. 14.

*4. Posner, Economic Analysis of Law, chs. 11, 12.

B.   Oligopoly

*1. Hirshleifer & Hirshleifer, Price Theory & Applications, ch. 10.

*2. Stigler, "A Theory of Oligopoly," JPE, February, 1964.

*3. Posner, Economic Analysis of Law, ch. 14.

*4. Alchian and Allen, Exchange and Production, chs. 12, 13.

C.   Other

1. Baumol, Economic Theory and Operations Analysis, ch. 13.

VI. Demand and Supply of Factors of Production

A. Labor

*1. Hirshleifer & Hirshleifer, Price Theory & Applications, chs. 12, 13.

*2. Alchian and Allen, Exchange and Production, chs. 14, 15.

*3. Posner, Economic Analysis of Law, chs. 8, 21.

4. Hicks, <u>Theory of Wages</u>, chs. 1-6.

B. Capital

*1. Hirshleifer & Hirshleifer, <u>Price Theory & Applications</u>, ch. 15.

*2. Baumol, <u>Economic Theory and Operation Analysis</u>, ch. 18.

*3. Dewey, "The Geometry of Capital and Interest," <u>AER</u>, (March 1963), pp. 134-139.

*4. Alchian and Allen, <u>Exchange and Production</u>, chs. 6, 16, 19.

5. Fisher, Irving, <u>The Nature of Income and Capital</u>, chs. 1, 2, 4, & 7.

6. Fisher, Irving, <u>The Theory of Interest</u>, chs. 4-11.

VII. <u>Miscellaneous</u>

*1. Hirshleifer & Hirshleifer, <u>Price Theory & Applications</u>, chs. 15, 16.

*2. Baumol, <u>Economic Theory and Operations Analysis</u>, chs. 15, 16.

*3. Bator, "The Simple Analytics of Welfare Maximization" <u>AER</u>, (March 1957), pp. 22-59.

<u>Final Examination</u>

Tuesday, December 13, 2016 at 7:30 p.m. <u>No Exceptions</u>

SYMBOLS:
   *   = required reading
   AER   = American Economic Review
   JPE   = Journal of Political Economy
   JLE   = Journal of Law & Economics