

MICROECONOMIC THEORY

ECON 80a
Brandeis University
Dept. of Economics
Fall 2009

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Lectures: Tue, Fri. Sec 1: 9:10 – 10:30 am, Sec 2: 3:10 – 4:30 pm.

Office Hrs: Friday 10:30 – 12:00 noon or by appointment



Exams: **MIDTERM 1: TUESDAY Sept. 29 (Brandeis Monday) (Lectures 1–7, Chapters 2–5)**
MIDTERM 2: MONDAY Nov. 9 (Lectures 8–16, Chapters 9–12)
FINAL: FINAL EXAM ECONOMICS COMMON BLOCK (Cumulative)

Course Description:

The primary objective of this course is to study consumer and producer behavior and analyze their interaction in the market system. We will study how various economic agents make their choices, and the implications of these choices for the overall allocation of resources for the society. We will also study various market imperfections and their consequences for economic welfare. However, there is much more to microeconomics than just studying the price system. The scope of issues that one can study is limitless – ranging from bargaining, auctions, mergers and acquisitions, to topics like how to ask your parents to buy you a new car! We will cover some applications of microeconomic theory during the course, but time constraints will not allow us to deal with all these topics adequately. Our hope is that gaining proficiency in these tools will raise your overall economic literacy and help you in advanced economics courses.

Required Text

Microeconomics and Behavior, by Robert H. Frank, (McGraw-Hill Irwin, Seventh Edition, 2008)

Other material: Case studies or other readings will occasionally be handed out in class or posted on LATTE.

Prerequisites

We expect you to know basic microeconomics concepts as taught in ECON 2a and 8b. Some knowledge of calculus is also essential. If you do not have the proper math prerequisites for ECON 80a (completion of MATH 10a, a score of at least 4 on the AP Math AB test, or a score of at least 3 on the AP Math BC test) but have studied calculus in the past, you may also qualify for ECON 80a by passing a math placement test administered by the Economics Department. Students who do not qualify by one of these methods must complete MATH 10a *before* enrolling in ECON 80a.

Class Meetings

This course will meet for two 80-minute lecture sessions each week. In addition, recitations will take place on Mondays from 6:40 to 8:30 p.m. Neither classes nor recitations are mandatory, but you are strongly advised to attend them regularly.

Grading Policy

There will be three exams, all closed-book. The midterm exams will be held during recitation periods (see schedule). Problem sets and other written assignments will be handed out periodically. Grades will be assigned as follows:

40% based on Final Exam
30% based on Midterm 2
20% based on Midterm 1
10% on the problem sets

Make-up exams

There is no make-up for a missed midterm exam. In the event of an *excused* absence from a scheduled midterm, the exam portion of the student's final grade will be based on the grades on the other midterm and the final exam. The grade for an unexcused absence from an exam is zero.

University policy does not allow final exams to be given in advance of the published exam time. The make-up for an excused absence from the scheduled final exam will be administered by the Registrar, either on the "conflict resolution" day at the end of the exam period, or after classes resume in January. University regulations do not allow students to take the final exam early.

For an excused absence that does not entail an emergency, the student seeking an excused absence must request an "excused absence from a final exam" *in advance* through the Office of Undergraduate Academic Affairs.

Disability Information

If you are a student with a documented disability at Brandeis University and you wish to request a reasonable accommodation for this class, please see one of the professors immediately. Please keep in mind that accommodations are not provided retroactively.

Academic Honesty

You are expected to be honest in all of your academic work. Potential sanctions include failure in the course and suspension from the university. If you have any questions about our expectations, please ask.

Course Outline

Section I: Review

- Thinking Like An Economist (*Chapter 1*)
 - 1) The Role of Economics
 - 2) Cost-Benefit Decisions
 - 3) Rationality & Self-Interest
- Demand & Supply (*Chapter 2*)
 - 1) Demand & Supply Curves
 - 2) Some Comparative Statics
 - 3) Concept of Equilibrium
 - 4) Price Supports & Ceilings
 - 5) Taxes

Section II: The Consumer and The Producer

Part A: Consumer Behavior

- The Basic Model of Consumer Choice (*Chapter 3*)
 - 1) Preferences, Indifference Curves and Utility
 - 2) Budget Set
 - 3) Best Bundle and the Demand Curve
- Comparative Statics (*Chapter 4, 5*)
 - 1) Price and Income Changes, Elasticities
 - 2) Income and Substitution Effects
 - 3) Compensating and Equivalent Variation

Part B: Producer Behavior

- Technology & Profit Maximization (*Chapter 9*)
 - 1) Economic Profits and Economic Costs
 - 2) Profit Maximizing Level of Output
 - 3) Technology, Isoquants, and the Production Function
 - 4) Marginal Products, MRTS and Returns to Scale
- Cost (*Chapter 10*)
 - 1) Short Run Cost Curves (One Variable Factor)
 - 2) Long Run Cost Curves (Two Variable Factors)

Section III: Markets

A. Competitive Markets (*Chapter 11*)

- Partial Equilibrium
 - 1) Supply Curve of the Competitive Firm
 - 2) Short Run Perfect Competition
 - 3) Applications of the Competitive Model
 - 4) Long Run Perfect Competition

B. Non-Competitive Markets

- Monopoly (*Chapter 12*)
 - 1) The Single Price Monopolist
 - 2) Price Discrimination
 - 3) Cartels
- Oligopoly (*Chapter 13*)
 - 1) Bertrand and Cournot Competition
 - 2) Leader-Follower Models
 - 3) Basic Game Theory
 - 4) Entry & Exit

Section IV: General Equilibrium and Market Failure

- General Equilibrium and Welfare Economics (*Chapter 16*)
 - 1) Equilibrium in Multiple Markets
 - 2) Exchange Economy
 - 3) Pareto Efficiency in the Exchange Economy
 - 4) Welfare Theorems
- Externalities, Property Rights and Public Goods (*Chapter 17*)
 - 1) Market Failure
 - 2) Applications
 - 3) Coase Theorem
 - 4) Public Goods

Have Fun!!!!



CLASS SCHEDULE

Class #	Date	Day	Lecture	Instructor	Material	Chapters
1	28-Aug	Fri	First Class	Sanyal	Background and Calculus	
2	1-Sep	Tue	Lec 1	Sanyal	Demand and Supply	Ch. 2, Ch. 4
3	4-Sep	Fri	Lec 2	Sanyal	Demand and Supply	Ch. 4
				Sanyal	Start Consumer Behavior	Ch. 3
4	8-Sep	Tue	Lec 3	Sanyal	Consumer Choice	Ch. 3, Appndx.
5	11-Sep	Fri	Lec 4	Sanyal	Preferences, Equilibrium	Ch. 3
Makeup class 6	14-Sep	Mon	Lec 5	Sanyal	Changes in Price and Income (During Recitation)	Ch. 3, Ch. 4
7	15-Sep	Tue	Lec 6	Sanyal	Consumer Behavior	Ch. 4
				Sanyal	Applications of the Rational Choice Model	Ch. 5
8	18-Sep	Fri	Lec 7	Sanyal	Production	Ch. 8
9	22-Sep	Tue	Lec 8	Sanyal	Production	Ch. 8
10	25-Sep	Fri	REVIEW	Sanyal	Lec 1 - 7	
	29-Sep	Tue	EXAM 1	Sanyal	(During Recitation) Monday Schedule	Lec 1 - 7
11	2-Oct	Fri	Lec 9	Sanyal	Production	Ch. 9
12	6-Oct	Tue	Lec 10	Sanyal	Costs	Ch. 10
13	9-Oct	Fri	Lec 11	Sanyal	Costs	Ch. 10
					Perfect Competition	Ch. 11
	13-Oct	Tue		Sanyal	Return Exam 1	
14	16-Oct	Fri	Lec 12	McCulloch	Perfect Competition	Ch. 11
15	20-Oct	Tue	Lec 13	McCulloch	Perfect Competition	Ch. 11
16	23-Oct	Fri	Lec 14	McCulloch	Monopoly	Ch. 12
17	27-Oct	Tue	Lec 15	McCulloch	Monopoly	Ch. 12
18	30-Oct	Fri	Lec 16	McCulloch	Monopoly	Ch. 12
					Imperfect Competition	Ch. 13
19	3-Nov	Tue	Lec 17	McCulloch	Oligopoly Models	Ch. 13
20	6-Nov	Fri	REVIEW	McCulloch	Lec 8 - 16	
	9-Nov	Mon	EXAM 2	McCulloch	(During Recitation)	Lec 8 - 16
21	10-Nov	Tue	Lec 18	McCulloch	Oligopoly Models	Ch. 13, Apndx.
22	13-Nov	Fri	Lec 19	McCulloch	Externalities	Ch. 16
23	17-Nov	Tue	Lec 20	McCulloch	Externalities	Ch. 16
24	20-Nov	Fri	Lec 21	McCulloch	Public Goods	Ch. 17
				McCulloch	General Equilibrium	Ch. 18W
25	25-Nov	Tue	Lec 22	McCulloch	General Equilibrium	Ch. 18W
26	1-Dec	Fri	Last class	McCulloch		