Microeconomic Theory & Policy

440.601.51

Course Outline

This course is about human decision making in the face of scarcity. Topics include: choice and demand; production and cost; the firm and market structure; and market failure. Game theory is introduced.

Course Requirements

Grades will be based on the student’s performance on homework, a mid-term examination and a final examination. The weights and scheduled dates of each these components and scheduled dates are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Weight</th>
<th>Date</th>
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<tbody>
<tr>
<td>Homework</td>
<td>10%</td>
<td>Weekly</td>
</tr>
<tr>
<td>Midterm Exam:</td>
<td>40%</td>
<td>Wednesday June 1</td>
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<tr>
<td>Final Exam:</td>
<td>50%</td>
<td>Saturday July 9</td>
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Problem Sets:

Problem sets will be assigned in most weeks. Each set will be due at the beginning of class one week after it is handed out. You are permitted to work on the problem sets in groups. Each group need hand in only one copy of the answers. Late homework is not accepted.

Contact:

E-mail: ssacher@ftc.gov (preferred) or ssacher3@jhu.edu.
Prerequisites

Principles of Microeconomics and a one semester Calculus course.

Textbook


If basic microeconomics is not fresh, you may also want to purchase an intermediate level undergraduate text on Microeconomics, such as Robert S. Pindyck and Daniel L. Rubinfeld, Microeconomics, Seventh Edition, Pearson Prentice Hall 2009 or B. Douglas Bennheim and Michael D. Whinston, Microeconomics, McGraw-Hill Irwin, 2008. Both of these texts have been placed on reserve.

Tentative Weekly Topic Schedule*

1. Introduction and Overview, Math Review, Introduce Consumer Theory (May 9)
   N&S: Chapter 1
   N&S: Chapter 2 as needed.

2. Consumer Theory (May 11)
   Preferences and Utility—N&S: 3.

3. Consumer Theory (May 16)

4. Consumer Theory (May 18)
   Income and Substitution Effects—N&S: 5.

5. Production Theory (May 23)
   Production—N&S: 9.
   Cost—N&S: 10.

6. Production Theory (May 25)
Profit Maximization—N&S: 11.

7. MIDTERM EXAM (June 1)

8. Partial Equilibrium and Welfare (June 6)

Perfect Competition—N&S: 12

9. Monopoly (June 8)
N&S: 14

10. Game Theory and Oligopoly (June 13)
N&S: 8
N&S: 15

11. Externalities and Public Goods (June 15)
N&S: 19

12. General Equilibrium and Welfare (June 20)
N&S: 13

13. Uncertainty and Information (June 22)
N&S: 7

14. FINAL EXAM (Saturday July 9)

* Some chapters may be added or deleted as time permits. Accordingly, the coverage (but not dates) of exams are also subject to adjustment.