

Microeconomic Theory – EC201

Boston College, Spring 2009

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Syllabus

Course Description:

The purpose of this course is to introduce the main concepts of microeconomics and to teach how to apply the various tools of economic analysis to ‘real world’ issues. Covered topics will include consumer theory, theory of the firm, market structure (perfect competition vs. market power), factor markets, decision making under uncertainty. At the end of the semester, students will be able to evaluate whether the economic agents (individuals, firms, policymakers) are efficiently using the scarce resources of the world.

Prerequisites: An introductory level microeconomics course and a course in calculus and algebra.

Textbook:

Jeffrey M. Perloff, *Microeconomics*, 5th edition, ISBN: 0-321-53119-1

Lectures will draw heavily from contents of this book. Additional readings may be distributed, covering applications of the theories studied in class. Valuable resources for students can be found at the textbook support site:

<http://www.aw-bc.com/perloff/>

Grading:

Midterm Exam	25%
HWs and Quizzes	35%
Final Exam (cumulative)	40%

HWs and Quizzes: There will be several quizzes (around one quiz in every other week). If you miss a quiz without a legitimate excuse you will get 0 points. The quiz with your lowest score will be dropped. You are welcome to work in pairs on the HW problems, but each student must write up his / her own answers separately and should list the name of the student worked together. Assignments handed in after due day, but before answers are distributed will be marked down by 50%.

Exams: Absence from exams / quizzes will be granted only in the event of medical or family emergencies which must be documented. Any other requests for absence from the scheduled exams must be presented in writing within the first two weeks of the semester and will be evaluated on a case by case basis. If you cannot take the midterm exam with a legitimate excuse, its weight will be added to the final exam. You will not be allowed to take the quizzes and exams if you cannot show your ID. Any student found **cheating** will receive an 'F' for the course and will be referred to the Department Chair Person and Class Dean for appropriate action.

Attendance: Although attendance is optional, regular class attendance is strongly recommended. Repeated absences can significantly (and negatively) impact your final grade for the course. Using laptops, cell phones, MP3 players is not allowed during lectures.

Disability Statement:

If you have a disability for which you are or may be requesting an accommodation, you are encouraged to contact both your instructor and the Office of Disability Resources and Services through Suzy Conway, Ph.D., LICSW, Assistant Dean for Students with Disabilities, Office of the Dean for Student Development, Boston College, 21 Campanella Way, Suite 212, Phone: 617-552-3470, TTY: 617-552-2548, Fax: 617-552-3473, Email: suzy.conway@bc.edu.

Also see: <http://www.bc.edu/offices/odsd/disabilityservices.html>

Statement on Academic Integrity from the College of Arts and Sciences:

The College [of Arts and Sciences] expects all students to adhere to the accepted norms of intellectual honesty in their academic work. Any forms of cheating, plagiarism, or dishonesty or collusion in another's dishonesty is a fundamental violation of these norms.

CHEATING is the use or attempted use of unauthorized aids in any exam or other academic exercise submitted for evaluation. This includes data falsification; the fabrication of data; deceitful alteration of collected data included in a report; copying from another student's work; unauthorized cooperation in doing assignments or during an examination; the use of purchased essays, term papers, or preparatory research for such papers; submission of the same written work in more than one course without prior written approval from the instructor(s) involved; and dishonesty in requests for either extensions or papers or make-up examinations.

PLAGIARISM is the deliberate act of taking the words, ideas, data, illustrative material, or statements of someone else, without full and proper acknowledgment, and presenting them as one's own.

COLLUSION is assisting or attempting to assist another student in an act of academic dishonesty.

As part of your scholarly development, you must learn how to work cooperatively in a community of scholars and fruitfully utilize the work of others without violating the norms of intellectual honesty. You have a responsibility to learn the parameters of collaboration and the proper forms for quoting, summarizing and paraphrasing. Faculty members who detect any form of academic dishonesty have the responsibility to take appropriate action. The faculty member also has the responsibility to report the incident and penalty to the Department Chairperson and the appropriate Class Dean. The report will remain in your student file until you graduate.

If the gravity of the offense seems to warrant it or if the faculty member prefers that another academic authority decide the matter, he or she may refer the case to a Dean. In addition, if the student is unwilling to accept the faculty member's decision, he or she may choose to have the matter adjudicated either by an Associate Dean or by an Administrative Board. The section of the College of Arts and Sciences in the Boston College undergraduate Catalogue has further details about this process. Academic integrity is a very important matter. If you have any questions in any of your courses about what is allowed or not allowed, please discuss the matter immediately with the instructor.

Course Schedule (tentative)

Date	Lecture Topics	Ch(s)
Friday, January 16	Introduction: allocation of scarce resources, using models	1
Monday, January 19	No Class – Martin Luther King Day	-
Wednesday, January 21	Supply and Demand Model	2
Friday, January 23	Supply and Demand Model: market equilibrium, effects of government interventions	2
Monday, January 26	Application of Supply and Demand Model: elasticity of supply and demand, effects of a sales tax	3
Wednesday, January 28	Consumer Choice: preferences, utility	4
Friday, January 30	Consumer Choice: constrained consumer optimization, behavioral economics	4
Monday, February 2	Application of Consumer Theory: derivation of demand curves, effects of changes in income and of a price change	5
Wednesday, February 4	Application of Consumer Theory: cost-of-living adjustments, derivation of labor supply curves	5
Friday, February 6	Firms and Production: short-run vs. long-run production, returns to scale, productivity	6
Monday, February 9	Measuring Costs: short-run vs. long-run costs, cost of producing multiple goods	7
Wednesday, February 11	Perfect Competition: profit maximization	8
Friday, February 13	Perfect Competition: competition in short-run vs. long-run.	8
Monday, February 16	Application of the Competitive Model: consumer and producer welfare	9
Wednesday, February 18	Application of the Competitive Model: policies that shift supply curve, effects of sales taxes, price floors and import restrictions	9
Friday, February 20	General Equilibrium: production, trading and economic welfare	10
Monday, February 23	General Equilibrium: efficiency and equity	10
Wednesday, February 25	Midterm Exam	1-10
Friday, February 27	Monopoly: market power and welfare effects, natural monopoly, government regulation of monopolies	11
March 2-6	Spring Break	-

Monday, March9	Pricing and Advertising: price and quantity discrimination	12
Wednesday, March11	Pricing and Advertising: two-part tariffs, tie-in sales	12
Friday, March13	Oligopoly and Monopolistic Competition: cartels, non-cooperative oligopoly	13
Monday, March16	Oligopoly and Monopolistic Competition: Cournot model, Stackelberg model, Bertrand model, monopolistic competition	13
Wednesday, March18	Game Theory: static and dynamic games	14
Friday, March20	Game Theory: auctions	14
Monday, March23	Factor Markets: competitive factor markets vs. monopsony	15
Wednesday, March25	Factor Markets: vertical integration	15
Friday, March27	Interest Rates: money today vs. money in the future, choices over time	16
Monday, March30	Capital Markets and Investment: savings, private vs. government demand for investment	16
Wednesday, April1	Uncertainty: degree of risk, decision making under uncertainty	17
Friday, April3	Uncertainty: avoiding risk, investing under uncertainty, behavioral economics of risk	17
Monday, April6	Externalities and Public Goods: inefficiency of competitive equilibria when externalities exist	18
Wednesday, April8	Externalities and Public Goods: market structure, role of allocating property rights, public goods	18
Friday, April10	No Class – Easter Weekend	-
Monday, April13	No Class – Easter Weekend	-
Wednesday, April15	Asymmetric Information: adverse selection, market for lemons	19
Friday, April17	Asymmetric Information: price discrimination, market power from price ignorance, hiring problems	19
Monday, April20	No Class – Patriot’s Day	-
Wednesday, April22	Contracts and Moral Hazards: principal-agent problem, production efficiency	20
Friday, April24	Contracts and Moral Hazards: efficiency in production and risk, contingent contracts, monitoring, efficiency wages	20
Monday, April27	Contracts and Moral Hazards: checks on principals and contract choice	20
Wednesday, April29	Review for Final Exam	-
May 1-4	Study Days – No Class	-
May 5-12	Final Exam	All