Syllabus--Intermediate Microeconomic Theory

Course Summary and Objectives: This course covers the central topic in Economics, price determination, by examining the demand and supply responses of consumers and firms, each of whom treat prices as parameters in their decision making. Of affordable “baskets” of goods, consumers choose the one which maximizes their utility or well being, from which we derive the demand curve. Firms choose the combination of inputs and outputs that maximizes their profits, subject to the constraints imposed by their technology, from which we derive the supply curve. Using Calculus allows a more rigorous approach, which I will attempt to supplement with newspaper articles and other materials.

Lectures: T-Th 10:30 - 12:18 in KN 0190.
Office Hours (440 Arps Hall): Monday 10 – 11 and Wednesday 10 - 12.


Requirements: The course grade consists of
- homeworks 15%
- midterm exam 35%
- final exam 50%

Homeworks will be graded by the Grader. There will be approximately 4-5 assignments. Each student is entitled to one extra credit project. The score will replace the lowest homework score. Extra credit involves either leading the class discussion on one of the articles I plan to cover, or a 2-3 page written analysis of a newspaper article that I pre-approve. Late homeworks will not be accepted without a valid excuse.

I will grade all exams. There will be no make up exam for the midterm. Students who have a valid, pre-approved excuse for missing the midterm will have the final exam count for 85% of the grade.
Course Outline:

1. Mathematical Background (approx. ½ class)

Partial derivatives, first-order and second-order conditions for unconstrained optimization.
(Constrained optimization and the Lagrangean approach will be covered when we need it.)

Binger and Hoffman, ch. 1-3.

2. Introduction to Economic Theory and the Market Economy (approx. ½ class)

Models and assumptions, the model of supply and demand, scarcity and resource allocation, the market economy and perfect competition.

Binger and Hoffman, ch. 4.

3. Consumer Theory (approx. 5 classes)

Preferences and utility functions, utility maximization subject to a budget constraint (Lagrangean approach), derivation of the demand function, elasticity, income and substitution effects.

Binger and Hoffman, ch. 5, 6, 7, and 8 (just 8.1-8.3).

4. Efficiency and Trade (approx. 2 classes)

A Market Experiment, Pareto optimum, Edgeworth Box, the “auctioneer” and equilibrium, first and second fundamental theorems of welfare economics.

Binger and Hoffman, ch. 9.

5. Theory of the Firm (approx. 5 classes)

5A. (2 classes) The production function, isoquants isocosts and optimal input choice.

Binger and Hoffman, ch. 10.

Midterm Exam, Thursday, February 5 (in class, 10:30-12:18).
5B. (3 classes) Derivation of the cost function, long run vs. short run, profit maximization and the firm’s supply curve.

Binger and Hoffman, ch. 11 and 12.

6. Market Equilibrium (approx. 2 classes)


Binger and Hoffman, ch. 13.

7. Imperfect Competition (approx. 3 classes)

Monopoly pricing, price discrimination, regulating natural monopoly. Oligopoly and game theory, Cournot competition, Bertrand competition, repeated games.

Binger and Hoffman, ch. 15, 16 (skip 16.4-16.8).

8. Microeconomic foundations of our current financial crisis (time permitting)

Price bubbles, moral hazard and sub-prime lending, adverse selection and market unraveling, bank runs.

Final Exam: Tuesday, March 17, 9:30 - 11:18, in class (KN 0190).
Academic Misconduct

It is the responsibility of the Committee on Academic Misconduct to investigate or establish procedures for the investigation of all reported cases of student academic misconduct. The term “academic misconduct” includes all forms of student academic misconduct wherever committed; illustrated by, but not limited to, cases of plagiarism and dishonest practices in connection with examinations. Instructors shall report all instances of alleged academic misconduct to the committee (Faculty Rule 3335-5-487). For additional information, see the Code of Student Conduct (http://studentaffairs.osu.edu/resource_csc.asp).

Disability Services

Students with disabilities that have been certified by the Office for Disability Services will be appropriately accommodated, and should inform the instructor as soon as possible of their needs. The Office for Disability Services is located in 150 Pomerene Hall, 1760 Neil Avenue; telephone 292-3307, TDD 292-0901; http://www.ods.ohio-state.edu/.