Intermediate Microeconomic Theory
Economics 3070-004

Professor M. J. Greenwood — Spring 2009
Office: ECON 106
Office Hours: Tuesday and Thursday 3:30-4:45; and by appointment.

PREREQUISITES: ECON 1000 or 2010; and either ECON 1078 and 1088, or MATH 1300, or MATH 1310, or MATH 1081, or MATH 1080, 1090, and 1100, or APPM 1350, or equivalent.

COURSE OUTLINE

Text: Robert S. Pindyck and Daniel L. Rubinfeld, *Microeconomics,* Seventh Edition (Pearson Prentice Hall, 2009).

Part I: Theories of Consumer Behavior and Demand

1. Introduction: Chapter 1
2. Utility and Choice: Chapters 3, 4 (except pgs. 127-131)
3. Individual and Market Demand: Chapter 2
4. Market Demand and Elasticity: Chapter 2 (Chapter 4, part relating to elasticity of demand, pgs. 127-131)

Part II: Theories of Production and Cost

5. Production: Chapter 6
6. Costs: Chapter 7

Part III: Theories of Price and Output under Various Market Circumstances

7. Profit Maximization and Supply: Chapters 8; 2 (parts relating to supply)
8. Perfect Competition: Chapters 8, 9
9. Monopoly: Chapters 10, 11
10. Imperfect Competition: Chapter 12
11. Strategy and Game Theory: Chapter 13

Part IV: Factor Markets

12. Pricing in Input Markets: Chapter 14

Part V: Other Topics

13. General Equilibrium: Chapter 16
14. Externalities and Public Goods: Chapter 18

This course is divided into five sections. The first deals with theories of consumer behavior and demand. The second treats theories of production and cost. The third considers the firm under various types of market structure, including perfect competition, monopoly, and structures intermediate between these two extremes. The fourth part of the course focuses on factor markets, and the fifth on general equilibrium (as distinct from partial equilibrium, which is an implicit assumption in most of the earlier material of the course.) If time allows, we will also study externalities and public goods, and perhaps other topics as well.

COMMENTS ABOUT THE COURSE

This course is essentially the language course of economics. The terms and concepts developed here are basic to economists in conversing with one another, and they underlie, in one way or another, much of economic theory and the policy implications derived therefrom. Economists often think of the terms and concepts of microeconomic theory as the nuts and bolts of economics, and they speak of the "tools" of economics or their "tool kit" in reference to the material of this course. Perhaps more importantly, economists use these tools to better understand how economies such as that of the United States and other countries around the world, both advanced and less developed, operate.

Scarcity is a prevailing fact of life. Neither at the aggregate nor at the individual level can we have all of everything we want. This is where economics comes into play, for we must make choices about what and how much to produce and how to best use society's scarce resources. Who shall consume what is produced and in what quantities? Who shall produce what is to be consumed and how shall this output be produced (i.e., by what technology and by what combination of inputs)? What is the role of relative prices (of outputs and inputs) in providing answers to these questions? How much of society's output should be allocated to current as opposed to future consumption? Who shall make the decisions that address the answers to these questions? This is what economics as a social science is about. It is questions such as these that we will confront in this class. Our unit of analysis will be the individual.

My goal in this course is to convey to you an understanding of the basic tools of economic theory. The course could be taught with great emphasis on calculus, but that is not my approach. Rather, I emphasize diagrams, although I will use calculus. I expect you to understand the basics of ntlyGuTw -20.hrmproduced and ina not mr