Economics 101 – Intermediate Microeconomics  
Spring 2012 Syllabus

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Bauer 313

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<tr>
<th>Course</th>
<th>Lecture Time</th>
<th>Final Exam</th>
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<tbody>
<tr>
<td>Econ 101</td>
<td>T, Th 9:35-10:50 BC 36</td>
<td>TBA</td>
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<tr>
<td></td>
<td>T, Th 12:00-1:10 BC 34</td>
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<td>T, Th 2:45-4:00 BC 34</td>
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Textbook

While the Varian text is the only one required for this class, some students may find *Microeconomics and Behavior: 7th Edition* by Robert Frank a helpful supplement. There is also an accompanying workbook called *Workouts in Intermediate Microeconomics* that may be helpful for extra practice with problems.

There will also be a class website: [http://www.claremontmckenna.edu/econ/dbjerk/IntermediateMicro.htm](http://www.claremontmckenna.edu/econ/dbjerk/IntermediateMicro.htm)

Please familiarize yourself with this site early on and check it section regularly. On it, I will post other assigned readings, lecture slides, problem sets, answer keys to the problem sets, and other announcements.

Course Description
An analysis of the determination of price and output under various market conditions, from competition to monopoly. Theories of economic choice are applied to consumers, producers, and resource owners. Techniques of partial equilibrium analysis are stressed.

Prerequisites Econ 50 and some calculus.

Learning Objectives
At completion of this course, students will be able to:

- Solve the consumer's utility maximization problem to derive demand
• Solve the firm’s cost minimization problem to derive input demands and compute the cost function

• Use the cost function to solve the perfectly competitive firm's profit maximization problem and derive supply

• Evaluate the impacts of changes in exogenous variables on the optimal behavior of consumers and firms and the resulting impacts on utility and profits

• Use equilibrium analysis to understand the links between individual behavior and market-level outcomes in competitive markets

• Assess and quantify the impacts of public policies on competitive markets

• Evaluate the implications of departures from perfect competition, such as markets with externalities, public goods, monopolies, or imperfect competition

**Grading Criteria:**

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<th>Component</th>
<th>Weight</th>
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<tr>
<td>Problem Sets and Participation</td>
<td>10%</td>
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<tr>
<td>First Midterm</td>
<td>25%</td>
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<tr>
<td>Second Midterm</td>
<td>25%</td>
</tr>
<tr>
<td>Final</td>
<td>40%</td>
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Problem sets will generally be assigned every week. Due dates for each problem set will be clearly spelled out and late assignments will be docked 50% of the total point value automatically. Problem sets will be graded primarily on my perception of student’s effort. Skipped questions, completely incorrect answers, and answers without explanations and relevant work shown will be penalized.

Midterms and final will consist of problem solving and short answer questions similar to those in the problem sets. The Final will be cumulative. Final scores will be determined as follows:

95 - 100% A  
90 – 94% A-  
86 – 89% B+  
82 – 85% B  
80 – 81% B-  
76 – 79% C+  
70 – 75% C  
65 – 69% C-  
56 – 64% D  
≤ 55% F
I reserve the right to recalculate test scores (i.e. curve them) if I deem it appropriate (this can only help you). If you have a conflict with a midterm test date, talk to me well before the test. If possible we will re-schedule a time for you to take the test before it is given in class. If this is not possible, I will upweight your other midterm and final test scores to calculate your final grade.

*While grading details are given above, the true keys to success in this class are listed below in order of importance:*

1. Attend and participate in class. Economics is a difficult subject with a language that is often difficult to comprehend at first. Attempting to learn via only reading the text is not recommended. Moreover, in this class, each lecture builds upon the last. *Missing even one class can have long-term consequences---you’ve been warned!* Also, I want to emphasize that learning is not a spectator sport. You are paying a lot to attend CMC, so be active with your learning. Ask questions! Challenge me when you don’t agree or understand something I say! Debate with your peers!

2. Don’t neglect problem sets. Economics can only be learned through struggle. Make doing problems sets a priority. While I encourage you to work with others on these problem sets, don’t free ride! Often the best learning comes from teaching others or trying to convince others that your solution is correct.

3. Consult the textbook. While I will try to stick to the textbook in my lectures, I have my own way of discussing some topics. However, not everyone learns in the same way, so what may be confusing to you in class may be clearer in the textbook presentation.

4. Don’t give up. Micro Theory may seem simple at first, but it can become very complex in a hurry. However, do not fret, the beauty of Micro Theory is its elegance. After awhile, the big picture will come together and you will see how these tools can help simplify very difficult problems. But it takes effort to get there. If you find yourself getting lost, seek help from me or our Tutor! Often the simplest comments make all the difference. Besides, I like getting to know my students.

**Academic Dishonesty**

Academic dishonesty consists of misrepresentation by deception or by other fraudulent means and can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. I am told you are all informed about what constitutes academic dishonesty during your freshman year. For those of you still uncertain, please see discussion on the CMC Registrar’s webpage.
In this class, students are encouraged to work together on problem sets and form study groups. However, each student is required to contribute to the study group and problem set solutions. If it is determined that a student is consistently not contributing to solution of problem sets within a study group, the student will be asked to leave the study group and submit the problem sets without the help of others. Therefore, do not free-ride!

**Course Outline**

The class will follow the schedule below. While a topic and/or chapter may have to be omitted due to time constraints, *test dates will not change*. If you have a conflict, let me know as soon as possible. In addition to the Varian textbook, several other readings will be assigned (see below). You will be able to find these readings on the class webpage. Powerpoint slides for each topic will generally also be posted on the class website before the lecture on that topic.

**Introduction/Calculus Review**

- (Varian, Mathematical Appendix; Math Review on website)

**How do we model individual behavior?**

- Budget constraints (Varian- Chapter 2)
- Preferences (Varian-Chapter 3)
- Utility Theory (Varian-Chapter 4)
- Choice (Varian-Chapter 5)
- Consumer Demand (Varian-Chapter 6; and “Giffen Behavior and Subsistence Consumption”, especially introduction, from *American Economic Review*)

**What can a market do?**

- Buying and Selling (Varian-Chapter 9: 160-167 and “Have Car Need Briefs? In Russia, Barter is Back,” from NYT)
- Exchange (Varian-Chapter 31 and Easterly, “Chapter 3: You Can’t Plan a Market,” (particularly pp. 72-101) from *The White Man’s Burden*)

**Midterm #1 – February 16th in class.**

**What happens in more complicated economies?**

- Labor supply (Varian-Chapter 9: 173-178)
- Intertemporal choice (Varian-Chapter 10)

**How are prices determined?**

- Market demand (Varian-Chapter 15)
- Overview of Market Equilibrium
- Intro to theory of the firm

**How do we model the behavior of firms?**
How does a firm decide how to build something?
- Technology/Production (Varian-Chapter 18)
- Input Factor Demand (Varian-Chapter 20 and “Is There (Middle Class) Life After Maytag?” NYT)
- Cost curves (Varian-Chapter 21)

How much should a firm build?
- Firm supply (Varian, Chapter 22)
- Industry supply (Varian, Chapter 23 and Chapter 5 and Prologue from Free: The Future of a Radical Price by Chris Anderson)

Midterm #2 – April 5th in class.

What affects a Market Equilibrium?
- Partial Equilibrium (Varian, Chapter 16 and “The Rise and Fall of the GDP” NYT Magazine)

How can markets fail to be efficient?
- Monopoly (Varian, Chapter 24)
- Intro to Game Theory and Oligopoly (Varian, Chapters 27 and 28)
- Externalities (Varian, Chapter 34; and “As China Roars, Pollution Reaches Deadly Extremes” - NYT)
- If time allows:
  - Public goods (Varian, Chapter 36)
  - Uncertainty (Varian, Chapter 12; and “In Nature’s Casino,” NYT)

Thinking Like and Economist

Final: TBA