APPLIED ECONOMIC THEORY
Economics 507

Fall 1984

Professor Howe


Additional Readings: The journal articles indicated below will be read and discussed in detail in class. The packet of readings can be purchased at Kinko’s Copy Center.

Review Reading: A working knowledge of differential calculus is necessary for beginning this course. Some knowledge of linear algebra will be useful. Naturally, intermediate level micro theory is assumed. All students are expected to be thoroughly familiar with the material in chapters 2, 3, and 4 in Baumol.

Administrative Matters: It is expected that there will be 7 examinations so that the body of material covered on each is small and the weight given to any one test will not be great. The test with the lowest grade will be dropped. The student should plan to take all the tests, but if you are unable or choose to miss one test, that zero grade will be dropped. No makeup examinations will be given under any circumstances. A cumulative final exam is required of all students. Professor Howe will have office hours 1100-1200 and 1515-1600 TTh and 1100-1200 Wed.

I. Demand Theory, Empirical Estimation, and Applications.

A. Basic Theory and Applications:
1. Baumol, Chapter 9 (1-14), Chapter 10 (1-10).

B. Duality Theory and Estimation of Demand Systems:
1. Baumol, Chapter 14 (5-9).
II. Production and Cost Theory with Applications.

A. Basic Theory and Applications:
1. Baumol, Chapter 11, Chapter 12 (1-7).

B. Duality Theory and Cost Functions.
1. Baumol, Chapter 14 (11-15).

III. Patterns of Market Behavior.

A. Basic Theory:
1. Baumol, Chapters 15, 16.


A. Basic Theory:
1. Baumol, Chapter 25 (1-6).

B. Applications:
1. Data on Narrows Dam and Animas LaPlata Project (handouts).
V. Input-Output Analysis.

A. Basic Theory: Baumol, Chapter 22 (1, 2, 4).

B. Application: Impacts of large investments on regional economies (handouts).