Microeconomics is about how people and firms trade and transform resources. People work in exchange for money. They use the money to buy goods and services. Firms provide the goods and services, using various inputs including labor.

How does a consumer decide what to buy? How does a firm decide what to make? How does the economy coordinate so that firms produce what consumers want? Is a central planning agency required? Is it possible that prices contain enough information to coordinate the market? In short, how does the economy work?

This course explores answers to some of these questions. We will first consider a model of consumer behavior. Then we will turn to several models of firms. Next we will see how consumers and firms interact. We will discuss when a market based system should be effective. At the end of the course we will study situations where a central agency, or government, may be necessary for the economy to be efficient.

Prerequisites: Econ 2010, Math 1080, 1090, 1100.


Grading: 2 Midterms 30% each
Comprehensive Final 40%

There will also be ungraded homework. The exams will be similar to the homework. If you do all the homework you should do well in the exams, and you will develop a much deeper understanding of the course material.

First Lecture: The first lecture will be on Friday 31 Aug. Please read Chapter 1 before class.
COURSE OUTLINE

INTRODUCTION

Ch. 1 Economic Models
Ch. 2 Mathematical Tools

CONSUMER CHOICE AND DEMAND

Ch. 3 Utility Maximization
Ch. 4 How Changes in Income and Prices Affect Choices
Ch. 5 Market Demand and Elasticity
Ch. 6 Further Applications

FIRMS, PRODUCTION AND SUPPLY

Ch. 8 Production
Ch. 9 Costs
Ch. 10 Profit Maximization and Supply
Ch. 11 Further Applications

PERFECT COMPETITION

Ch. 12 Pricing in a Perfectly Competitive Market
Ch. 13 General Equilibrium and Economic Efficiency

IMPERFECT COMPETITION

Ch. 15 Pricing in Monopoly Markets
Ch. 16 Pricing in Imperfectly Competitive Markets

EXTERNALITIES

Ch. 21 Externalities and Property Rights