EC201 B Intermediate Microeconomic Analysis   Spring 2024

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Office hours: M and W, 1:15 – 2:00 pm.

Course overview:

Microeconomics gives you the tools to analyze how consumers and firms make their economic decisions, how these actions coordinate and the outcomes they produce, mainly when agents interact through markets. In particular, the efficiency of the outcomes is assessed and compared under different settings: market competition, market power, "missing" markets for some goods, imperfect information, etc. These assessments are carried out to deduce the most desirable situations and a guide for possible economic policies to improve social welfare when needed. The course first develops the basic models to get you to think about the decisions of consumers and firms and their interaction in competitive markets, then it shows the strong welfare properties of these markets, and finally the problems derived from imperfections in competition. The aim is that you develop some ability in applying the basic tools to the analysis of economic problems and real situations. This course has a prerequisite, EC101 or EC111. You also need to have some knowledge of calculus. After completing the course, you can take any of the upper-level economics electives based on microeconomic principles.

Textbook:

Microeconomics, Jeffrey M. Perloff, Pearson/Addison Wesley. You can use any edition from the 4th on. The tool "Myeconlab" is not required. You can use instead any other intermediate micro textbook that you wish, but having a textbook to read is important.

Course Website:

All course announcements and documents will be posted on the Blackboard course site.

Teaching fellows and discussion sessions:

Xuan Li is the teaching fellow in charge of discussion groups 1 and 2. E-mail: xuanli@bu.edu.

Nils Lieber is the teaching fellow in charge of discussion groups 3 and 4. E-mail: lieber@bu.edu.

Attendance:

Each lecture builds on the knowledge acquired in the previous ones, and the discussion sessions are designed to apply the content of the lectures. Students are expected to attend all lectures and discussions.

Class Preparation, Participation and Assignments:

Read the assigned chapters before lectures, attend the class and ask questions during the lecture, study the chapter and notes after the lecture, work on the solution of the assigned set of problems and attend/participate in your discussion session.

There are about 14 problem sets. Selected problems will be solved and discussed in class and in the discussion sessions, and all solutions posted. The final aim is to develop the ability to solve problems by yourself.

Exams and Grading:

There are two midterms and a cumulative final exam. Exams will be based on problems similar to those assigned during the course in the problem sets. Notice that these problems often imply that you must do some writing.

In principle, each midterm will count for 25% of the final grade and the final exam 50%, but if a student's score on the final exam is higher than the average of the midterms, these weights will be updated to 15%, 15% and 70%.

Especial situations:

There will be no makeup exams. Any student who goes through an especial situation (e.g. medical emergency) must report the situation by email before the exam takes place and contact me as soon as possible to set a solution.

Academic Conduct:

You should understand and observe the CAS Academic Conduct Code. It is available at http://www.bu.edu/academics/resources/academic-conduct-code.

Course outtline:
Minor changes might be made during the course. They will be announced at class and posted on the Website.

Background: Some Mathematical Concepts and Definitions (PS #1)
Review: Demand and Supply, Applications (Chapters 2 and 3, PS #2)

Consumer Theory (Chapters 4 and 5)
        Preferences, Utility, Constrained Choice and Equilibrium (4.1 to 4.4, PS #3)
        Consumer Demand, Price and Income Changes (5.1 to 5.3, PS #4)
        Labor Supply, Intertemporal Choice (5.5, PS #5)

Theory of the Firm (Chapters 6 and 7)
        Ownership. Production Function, One/Two-Variable Factors (6.1 to 6.4, PS #6)
        Returns to Scale, Productivity, Technical change (6.5 to 6.6)

Midterm Exam 1: Friday February 16

        Cost Function, Short Run/Long Run costs. Learning, Scope (7.1 to 7.5, PS #7)
        Profit Maximization (8.2)

Competitive Markets (Chapter 8, PS #8)
        Competitive Firm, Short Run/Long Run Equilibrium (8.1 to 8.4)
Welfare (Chapter 9, PS #9)
        Measuring Welfare, Competition Maximizes Welfare (9.1 to 9.4)
        Applying Welfare Analysis (9.5 to 9.7)
Interaction of Competitive Markets, General Equilibrium (PS #10)

Monopoly (Chapter 11, PS #11)
        Monopoly Profit Maximization, Market Power, Sources (11.1 to 11.4)
        Regulation: First Optimum, Price-Average Cost, Two-part Tariffs (11.5 and 12.5)
Midterm Exam 2: Friday March 29

Strategy, Oligopoly (Chapters 14 and 13, Ps #12)
        Theory of Games and Nash Equilibrium (14.1 and 14.2)
        Oligopoly, Cournot Competition, Bertrand Pricing (13.1, 13.3 to 13.5)
        Collusion (13.2)
Externalities and Public Goods (Chapter 18, PS #13)
        Inefficiency of Competition and Remedies (18.1 to 18.3, 18.5)
        Public Goods (18.6)
Asymmetric Information (Chapters 19 and 20, PS #14)
        Adverse Selection (19.1, 19.2, 19.5)
        Moral Hazard (20.1 and 20.2)

Final Exam: To be determined by the university