

Boston University
Department of Economics

Economics 201 A
Intermediate Microeconomics
Spring 2012

Syllabus

Instructor

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Teaching Fellow

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Logistics

Lecture days and time: Tuesday-Thursday 11.00am-12.30pm
Lecture location: COM 215
Course Webpage: on Blackboard

Course Overview

The course is an introduction to formal microeconomic theory. The main objective of the course is to provide a basic and powerful analytical framework to study consumer choice, or how rational agents optimally decide to allocate scarce resources to satisfy their needs, and producer's supply, or how rational agents decide to combine available resources to produce and make profits.

We will begin by defining the scope of economic theory and the main principles and axioms economists follow to frame their reasoning. Most of the lectures will be spent in developing the main framework. We will first focus on the consumption side of the economy, and derive the individual and aggregate demand for a good. Then we will move on to explain the production side of the economy, and the determinants of individual and

aggregate supply of a good. Once explored the building blocks of the theory, the lectures will develop applications of the main framework to different environments, as exchange between agents, different forms of market structure, and examples of market failures.

Background and Prerequisites

Students should have completed the following courses:

- MA 121 or 123 or 127 (calculus)

Calculus is a necessary prerequisite, as the techniques of unconstrained and constrained optimization will be used extensively in this course.

Readings

The principal textbook for this course is:

- Hal R. Varian, *Intermediate Microeconomics. A Modern Approach*. Norton, Eighth Edition.

The textbook is available at Barnes and Noble's bookstore.

Grading

The course grade will be based on problem sets and exams:

Problem Sets: 20%
Midterm: 35%
Final: 45%

Class participation will be also evaluated at the end of the semester and will help me assigning grades to the border cases.

If you have questions about the grading of a problem set/exam, please contact the teaching fellow within a week after you have received the graded work. Re-grading requests may raise or lower your score.

I will not accept submissions of homework past the due date, and I will not offer make-up exams. The Midterm exam will take place on Thursday, March 8th, during class time. The Final exam's date has not yet been announced by the College. The final is comprehensive and closed-book.

Academic Conduct Statement

It is your responsibility to know and understand the provisions of the CAS Academic Conduct Code. The encouragement to collaborate on homework assignments is not extended to tests. Read the CAS Academic Conduct Code, which you can pick up in room CAS B-3 or download on www.bu.edu/cas/academics/programs/conductcode.html. Misconduct can involve more subtle acts than direct cheating: for instance, submitting the same work for several courses without the consent of instructors. I will report all cases of suspected academic misconduct to the Deans' Office.

Course Outline and (Tentative) Time Schedule

This schedule is tentative and will be adjusted depending on speed of progress and students' interests.

❖ **Introduction (Jan 17)**

- The topic of Microeconomics (Varian, Chapter 1)

❖ **Mathematical Preliminaries (Jan 19)**

- Varian, Mathematical Appendix.

❖ **Part I. Optimal Choice: the Consumer's Problem (Jan 24 - Feb 7)**

- The Budget Constraint (Varian, Chapter 2)
- Preferences and Utility (Varian, Chapters 3-4)
- Optimal Choice (Varian, Chapter 5)

❖ **Part II. Demand and its Properties (Feb 9 - 23)**

- Derivation of Demand Curves (Varian, Chapter 6)
- Substitution and Income Effect, the Slutsky Equation (Varian, Chapter 8)
- Market Demand (Varian, Chapter 15)
- Equilibrium (Varian, Chapter 16)

❖ **Part III. Exchange and Welfare (Feb 28 – Mar 6)**

- Exchange, Equilibrium and Efficiency (Varian, Chapter 31)

❖ **MIDTERM EXAM (March 8)**

❖ **Part IV. Production Theory: the Problem of the Firm (Mar 20 – Apr 5)**

- Production Technologies (Varian, Chapter 18)
- Profit Maximization (Varian, Chapter 19)
- Cost Minimization and Cost Curves (Varian, Chapters 20 -21)
- Firm Supply and Market Supply (Varian, Chapters 22-23)

❖ **Part V. Other Forms of Market Structure (Apr 10 - 19)**

- Monopoly (Varian, Chapters 24 - 25)
- Oligopoly (Varian, Chapter 27)
- Game Theory (Varian, Chapter 28)

❖ **Part VI. Market Failures (Apr. 24 – May 1)**

- Externalities (Varian, Chapter 34)
- Public Goods (Varian, Chapter 36)
- Asymmetric Information (Varian, Chapter 37)

◆ **FINAL EXAM** (to be scheduled between May 7 and May 11)