

Economics 400

Fall 1999

Professor John Conley

Course Description

This course is intended as graduate level introduction to the study of the firms and individuals in their economic roles. The main goal is to develop the basic microeconomic tools needed in more advanced courses. By the end of the semester, students should have a good understanding of the economic approach to thinking about the world. Primary attention will be given to developing basic graphical tools and economic intuition. Considerable attention will also be given to introducing the elementary mathematical tools that are essential to the formal modeling of economic problems and the understanding the modern literature in all subfields.

Grading will be based on five problem sets, five associated quizzes, one midterm and a final. Problems sets must be completed and turned in. They will be graded Pass/Fail and a passing grade is worth 1% of the final grade. On the Friday after the homework is due, Dave Ballan, our TA, will hold a quiz which will be taken more or less directly from the problem sets. Each quiz is worth 2% of the final grade. The midterm, worth 35%, will include chapters one through seven and the final will be cumulative and worth the remainig 50% of the final grade. I encourage you to set up study groups. I think that it is very helpful to work on problem sets together. However, after your discussions, you must write your understanding of the correct answers in your own words! The grader will not give credit for copied answers. My office is in Comm. West 406, and my phone number is 333-4590.

Readings

The homework and exams will be based on both the lectures and the readings. The main textbook for this course is:

1. **Landsburg** (1996): *Price Theory and Applications*. International Thompson Publishing.

We will follow this book more or less chapter for chapter, and will make use of the

calculus supplement. We will also be use using:

2. **Varian** (1992): *Intermediate Microeconomic, a Modern Approach*. Norton.

These last two books are mainly a supplement to the course. The Varian book is an advanced undergraduate text that contains a fairly simple exposition of most of the mathematical ideas I will discuss in my lectures. If you feel that you have a weak mathematical background, this is probably the book you should depend on for these topics. Otherwise, there is no reason to buy it. The Silberberg book is a graduate text. It discusses the technical topics at a level that you will eventually need. You should probably try to understand what is going on in this book first before you go on to Varian's undergraduate text. I will teach some of the mathematical topics from directly from the Silberberg book. I think that both of these books give very good formal discussions of the technical details of microeconomics. Unfortunately, they are not very good at explaining the economic intuition that underlies the models. Therefore, I have structured the course around Landsburg, and will appeal to the other texts when we need to go into greater technical depth. In addition, several journal articles are assigned:

4. **Hayek, F.** (1945): "The Use of Knowledge in Society," *American Economic Review*, pp. 519-530.
5. **Coase, R.** (1960): "The Problem of Social Cost," *Journal of Law and Economics*, October, 1-44.
6. **Samuelson, P. A.** (1955): "Diagrammatic Exposition of the Theory of Public Expenditures," *Review of Economics and Statistics*, November.
7. **Samuelson, P. A.** (1966): "Pure Theory of Public Expenditure and Taxation," in *Public Economics*, by Margolis and Guitton, Eds..
8. **Thomson, W.** (1983): "Lecture on Public Goods," *mimeo*, .

Course Structure

1) Introduction	Landsburg Intro. Silberberg ch. 1
2) Supply and Demand	Landsburg ch. 1 Varian ch. 1,6,9,15
3) Gains from Trade	Landsburg 2
4) Consumer Theory (utility theory) (constrained optimization)	Landsburg ch. 3,4 Varian ch. 2,3,4,5,6,7,12 Silberberg ch. 10,11
5) Theory of the Firm	Landsburg ch. 5,6 Varian ch. 17,18,19,20 Silberberg ch. 8,9
6) Competition	Landsburg ch. 7 Varian ch. 22
7) Welfare Economics	Landsburg ch. 8 Varian ch. 14, 29 Silberberg ch. 17
8) Information	Landsburg ch. 9 Hayek
9) Monopoly	Landsburg ch. 10 Varian ch. 23
10) Market Power (game theory)	Landsburg ch. 11 Varian ch. 25,26 Silberberg ch. 19.4
11) Externalities	Landsburg ch. 12 Varian ch. 30 Coase
12) Public Goods	Landsburg ch. 13 Varian ch. 31 Samuelson (both) Thomson
13) Factor Demand	Landsburg ch. 14 Varian ch. 24