Principles of Microeconomics
Economics 101-002, Syllabus, Fall 2015

Class Hours: MW11:30am-12:45pm. Class Room: Anthropology Building (AB) 303.

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Course Description: In this course, we learn the basic concepts and methods of microeconomics—the study of how individuals make decisions and interact in markets, under conditions of perfect and imperfect competition. We also apply these concepts and methods to a range of economic questions and policy issues. One important set of policy issues is whether and how markets may fail and whether, when they fail, government intervention may be needed to correct those failures. Topics covered include demand and supply in competitive markets, market power, game theory, externalities, and asymmetric information.
Course Outline and Readings:

1. Individual Decision Theory. FB, Chapter 1.
   a. Choice in a World of Scarcity
   b. Applying the Cost-Benefit Principle
   c. Important Decision Pitfalls

2. Extension: Choice Under Uncertainty (Handout #1)
   a. Contingent Consumption and Expected Utility
   b. Risk Averse, Risk Neutral, and Risk Loving Individuals
   c. Applications

   a. Exchange and Opportunity Cost
   b. Comparative Advantage and Production Possibilities

4. Market Competition and Social Efficiency
      i. Buyers and Sellers in Markets
      ii. Market Equilibrium
      iii. Predicting Changes in Prices and Quantities

***First Midterm***
b. Demand. FB, Chapter 5.
   i. The Law of Demand
   ii. Translating Wants into Demand
   iii. Applying the Rational Spending Rule
   iv. Individual and Market Demand Curves
   v. Demand and Consumer Surplus

c. Extension: Demand with More Math (Handout #2)
   i. Total and Marginal Utility Functions with One and Two Goods
   ii. Allocating a Fixed Income Between Two Goods
   iii. Marginal Utility Functions and Indifference Curves
   iv. Rational Spending Rule Revisited
   v. Deriving Optimal Choices

d. Perfectly Competitive Supply. FB, Chapter 6
   i. The Importance of Opportunity Cost in Supply
   ii. Individual and Market Supply Curves
   iii. Profit-Maximizing Firms in Perfectly Competitive Markets
   iv. Applying the Theory of Supply
   v. Supply and Producer Surplus

e. Efficiency and Exchange. FB, Chapter 7.
   i. Market Equilibrium and Efficiency
   ii. The Cost of Preventing Price Adjustments

5. Market Imperfections
(a) Monopoly. FB, Chapter 9.

   i. Profit Maximization for the Monopolist

   ii. The Deadweight Loss from Monopoly

   iii. Public Policy Toward Monopoly

(b) Game Theory. FB, Chapter 10.

   i. Simultaneous-Move Games
      
      A. Dominant Strategies

      B. Nash Equilibrium

      C. Applications

***Second Midterm***

   ii. Sequential-Move Games

      A. Incredible Threats

      B. Subgame Perfect Nash Equilibrium

      C. Applications

c. Asymmetric Information. FB, Chapter 12.

   i. Adverse Selection and the Lemons Model

   ii. Signaling and the Costly-to-Fake Principle

d. Externalities. FB, Chapters 11.

   i. External Costs and Benefits

   ii. The Tragedy of the Commons
Course Grading: Your grade for the course will be based on the following components (with the weight of each component indicated in parentheses):

1. Class Participation and Problem-Solving Sessions (10%)

2. First Midterm Exam (20%) [Date: TBA; Time: 11:30am-12:45pm; Place: AB 303]

3. Second Midterm Exam (20%) [Date: TBA; Time: 11:30am-12:45pm; Place: AB 303]

4. Final Exam (40%) [Date: December 11; Time: 3:00pm-5:30pm; Place: AB 303]

5. Synopsis of a Nobel Lecture (10%)

Class participation requirements: Part of the requirement is that you attend class. In addition, I will regularly reserve time at the end of class for us to solve one or two problems from the book. You must be actively involved in these class problem-solving sessions.

Assignments: I will also give homework assignments from the book and additional assignments with answers. These assignments will not be graded but completing them will help you better understand the material, participate in class, and practice for the exams.

Synopsis requirement. You must write a 5 to 6 page (double-spaced) synopsis of the work of the economist Gary Becker based on the lecture that he gave upon receiving the Nobel Prize in economics:

In your synopsis, you must answer: (1) what are the main issues that Becker addressed in his research, (2) what approach did he use to address them, (3) what are his main findings, (4) what is the significance of these findings, and (5) what questions did he leave open for future research? The synopsis is due on the last class day.

Exam Policy and Honor Code: There will be no make-up exams. If you miss an exam, your score for that exam is zero. If you arrive late to an exam, you can take the exam in the remaining time, so long as you do not arrive after other examinees have left. The Emory Honor Code (http://college.emory.edu/home/assets/documents/advising/honor_code.pdf) is in effect for all exams. By taking this course, you affirm that it is a violation of the code to cheat on exams, to plagiarize, to give false information to a faculty member, and to undertake any other form of academic misconduct. You agree that the teacher is entitled to move you to another seat during examinations, without explanation.