

ECON 301
Fall, 2003
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Intermediate Microeconomics

Course Content and Objectives

Intermediate microeconomics is the study of economic cooperation. If households and firms are rational, what do their demand and supply decisions imply about the nature of markets and economic welfare? When are markets efficient and when are they not? Should governments intervene in markets to render them more efficient, equitable, and environmentally-friendly, or are they more likely to make matters worse? Topics include perfect competition, monopoly, and intermediate market structures; uncertainty; pollution; public goods; comparative advantage and trade; and economic justice.

The method of analysis is symbolic reasoning. Students will engage in constructing proofs of economic propositions as logical chains of reasoning. They should be facile in the conversion of simple algebraic functions (primarily linear) and/or data into graphical form. There will be frequent use of simple algebra (e.g. solving for price and quantity with linear demand and supply), arithmetic (e.g. fractions, percentages) and elementary geometry, (e.g. areas of triangles and trapezoids for calculation of excess burden, tax revenue, and consumer surplus).

Texts and references

Perloff, *Microeconomics*, 3rd edition, 2004 (required).

Economics of Public Issues, Roger LeRoy Miller, Daniel K. Benjamin, Douglass C. North, 12 ed (recommended).

Course Outline, readings, and tentative schedule

- I. Markets and the economic consequences of government intervention**
Session 1: Perloff ch 2 (graphing supply and demand; price and quantity controls)
Session 2: Perloff ch 2, cont. Quiz.
Session 3: Perloff, ch 3 (elasticity and taxation)
- II. Theory of Demand**
Session 4: Perloff, ch 4 (consumer choice)
Session 5 and 6: Perloff, ch 5 (demand). Quiz.
- III. Theory of the firm**
Session 7: Perloff, ch 6 (firms and production)
Session 8: Finish Perloff, ch 6; begin ch 7 (costs)
Session 9: Finish Perloff, ch 7. Quiz.
- IV. Perfect Competition**
Session 10: Perloff, ch 8 (competitive firms and markets)
Session 11: Perloff, ch 8, cont.
Session 12: Finish Perloff, ch 8, begin ch 9 (application of competitive model)

¹ Office hours: W, 11-11:50, Th 1:20-2:10 or by appt. (jimr@hawaii.edu) in Saunders 514.

Session 13: Finish Perloff, ch 9, begin ch 10 (general equilibrium)

Session 14: Finish Perloff, ch 10, Quiz.

V. Market Power and Market Structure

Session 15: Perloff, ch 11 (monopoly)

Session 16: Finish Perloff, ch 11; begin ch 12 (oligopoly)

Session 17: Finish Perloff, ch 12 (monopolistic competition), begin ch 13 (non-competitive pricing)

Session 18: Perloff, ch 13, cont. (two-part tariff, tie-in sales)

Session 19: Perloff, ch 14 (competitive strategy)

Session 20: Finish Perloff, ch 14; quiz

VI. Factor Markets

Session 21: Perloff, ch 15 (factor markets)

Session 22: Finish Perloff, ch 15; begin ch 16 (capital markets)

Session 23: Finish Perloff, ch 16 (resource economics)

VII. Uncertainty, Missing Markets, and Limited Information

Session 24: Perloff, ch 17 (uncertainty)

Session 25: Finish Perloff, ch 17

Session 26: Perloff, ch 18 (externalities and public goods)

Session 27: Finish Perloff, ch 18; Coase theorem; quiz

Session 28: Finish Perloff, ch 19 (adverse selection, lemons, signaling, and screening)

Session 29: Perloff, ch 20 (moral hazard and contract choice)

Session 30: Review

Quizes: Bring straight-edge, pencil and pen. No calculators unless otherwise announced. No make-ups without prior approval or extraordinary circumstances. (Make-ups are typically more difficult than original quiz.)

Grading:

Six or seven quizzes	48%
Final	36%
Homework and citizenship	16%