Intermediate Microeconomics (Oral Communication focus)

**Course description and learning objectives:** This course develops basic techniques and fundamental concepts of neoclassical microeconomic theory. The main aim of the course is to provide an understanding, in a variety of settings, of the consequences of individual optimizing behaviour and of the nature of social equilibrium. Topics include consumer behavior, theory of the firm, equilibrium, efficiency, public goods and externalities, and elements of strategic behavior. Special attention is paid to the development of students’ active learning skills and ability to discuss and effectively communicate microeconomic issues in view of the acquired knowledge.

**Prerequisite:** Econ 130 and 131.


**Teaching format:** Alternating lectures and discussion sessions. Discussion sessions are based on small-group activities and student presentations. Students will learn to give a review of the covered material, develop problem-solving skills, and engage in group discussions and group and individual presentations, as well as economic experiments. Student active participation is required.

**Course assessment:** Small-group discussion, group and individual lecture summaries and problem set discussions and presentations (23%), group or individual case study presentation (15%) with student feedback (2%), two midterms (10% each) and a final (40%). In addition, up to 5% in extra credit may be gained in class economic experiments.

**Make-up Exam Policy:** No make-up exams are given. In very special circumstances, a student may request an early exam date. Supporting documents (e.g., a note from the police, court etc.) are then required.
## TENTATIVE SYLLABUS

<table>
<thead>
<tr>
<th>Week</th>
<th>Outline</th>
<th>Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1 (beginning August 22)</td>
<td><strong>Markets</strong></td>
<td>PR 1-2, V 1</td>
</tr>
<tr>
<td></td>
<td>Review of Introductory Micro</td>
<td></td>
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</table>

*Discussion sessions:* Competitive markets experiment; Practice problems on Competitive Markets (Exercise #1)

<table>
<thead>
<tr>
<th>Week 2 (beginning August 29)</th>
<th><strong>Consumer theory (I)</strong></th>
<th>PR 3, V 2-5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget constraint, Preferences, Utility Consumer Choice</td>
<td></td>
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</table>

*Discussion session:* None

<table>
<thead>
<tr>
<th>Week 3 (beginning)</th>
<th><strong>Consumer theory (II)</strong></th>
<th>PR 4; V 6; 8.1-8.4, 8.6-8.8; 15.1-15.3, 15.5-15.8, 15.11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Demand</td>
<td>Market Demand</td>
<td></td>
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</tbody>
</table>

*Discussion session:* Practice problems on Consumer Theory (Exercise #2); case studies

<table>
<thead>
<tr>
<th>Week 4 (beginning September 12)</th>
<th><strong>Choice under Uncertainty</strong></th>
<th>PR 5; V 12</th>
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<tbody>
<tr>
<td>Expected Utility</td>
<td>Risk aversion</td>
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</table>

*Discussion session:* Practice problems on Choice Under Uncertainty (Exercise #3); case studies

<table>
<thead>
<tr>
<th>Week 5 (beginning September 19)</th>
<th><strong>Theory of the Firm (I)</strong></th>
<th>PR 6, 7; V 18; 20.1-20.3-20.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology; Returns to scale</td>
<td>Cost minimization</td>
<td></td>
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</table>

*Discussion session:* Case studies.
**Week 6**  
*(beginning September 26)*

**First Midterm Exam**

**FIRST MIDTERM EXAM**

*Discussion session:* Midterm review

**Weeks 7**  
*(beginning October 3)*

**Theory of the Firm (II)**

<table>
<thead>
<tr>
<th>Topic</th>
<th>PR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit maximization</td>
<td>8</td>
</tr>
<tr>
<td>Competitive Firm Supply</td>
<td>V 19.1-19.9;</td>
</tr>
<tr>
<td>Market Supply</td>
<td>21.1-21.4;</td>
</tr>
<tr>
<td></td>
<td>22.1-22.6; 23.1-23.4</td>
</tr>
</tbody>
</table>

*Discussion session:* Case studies.

**Week 8**  
*(beginning October 10)*

**Competitive markets**

<table>
<thead>
<tr>
<th>Topic</th>
<th>PR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equilibrium; Efficiency;</td>
<td>9</td>
</tr>
<tr>
<td>Examples of intervention</td>
<td>V 16;</td>
</tr>
<tr>
<td></td>
<td>23.5-23.10</td>
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</tbody>
</table>

*Discussion session:* Practice problems on Producer Theory and Perfect Competition *(Exercise #4)*

**Week 9**  
*(beginning October 17)*

**Monopoly**

<table>
<thead>
<tr>
<th>Topic</th>
<th>PR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monopoly; Cartels</td>
<td>10-11;</td>
</tr>
<tr>
<td>Price discrimination</td>
<td>V 24-25</td>
</tr>
</tbody>
</table>

*Discussion session:* Monopoly experiment

**Weeks 10--11**  
*(beginning October 24, 31)*

**Oligopoly**

<table>
<thead>
<tr>
<th>Topic</th>
<th>PR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price and quantity competition</td>
<td>12;</td>
</tr>
<tr>
<td>Cournot equilibrium</td>
<td>V 27</td>
</tr>
</tbody>
</table>

*Discussion session:* Practice problems on Monopoly and Oligopoly *(Exercise #5)*; Case studies

**Week 12**  
*(beginning November 7)*

**Second Midterm Exam**

**SECOND MIDTERM EXAM**

*No class Tuesday November 8 – Election day*
**Week 13**

**Oligopoly and Game theory**  
PR 13;  
Prisoners’ dilemma; Collusion  
V 28-29

*Discussion session:* Practice problems on Game Theory (Exercise #6)

**Week 14--15**

**Market failure:**  
PR 18;  
Externalities and Public goods  
V 34, 36

*Discussion session:* Externalities experiment

*No class Thursday November 24 – Thanksgiving*

*Discussion session:* Practice problems on Public Goods and Externalities  
(Exercise #7)

**Week 16**

**Student case study presentations; Review**

*Beginning December 5*

Student end-of-semester case study presentations

**FINAL EXAM**
Discussion Sessions Guideline

There will be about seven problem sets on each topic we discuss in class:

1. Review of competitive markets
2. Consumer theory
3. Choice under uncertainty
4. Theory of the firm and perfect competition
5. Monopoly and oligopoly
6. Game theory
7. Externalities and public goods

In addition to the problems listed in the Problem Set, you are required to discuss a real-world example FOR EACH PROBLEM SET:

Find a real-world example of an economic phenomenon related to the topic discussed in this problem set. Summarize the example and explain why it is relevant to the topic. Discuss whether the real-world behavior of economic agents, and the corresponding market outcomes, fit the prediction of economic models. Explain why or why not.

We will discuss each problem set in class in a discussion session. There will be at least seven discussion sessions, one per each problem set. Come to the discussion session with the solved problems. You will be given a few minutes at the beginning of each class to discuss your solution in a small group (each group will be responsible for one problem). Each team will then present their solution to their classmates by writing the solution on the board and presenting it orally. All students will then participate in the discussion.

In order to communicate effectively, include these key ingredients into your oral presentation:

1. State the problem,
2. Discuss the solution,
3. Relate the specific problem to the topic studied,
4. Engage the audience and seek their questions and feedback
End-of-Semester Case Study Presentation Guideline

To synthesize the economics knowledge you have been accumulating in this class, and to further develop oral communication skills, students are required to work on an individual or team project and to make class presentations. I will allocate one or two classes in the last two weeks of the semester for project presentations.

Your presentations should demonstrate your acquired knowledge of microeconomics and the ability to apply this knowledge to the analysis of real-world settings. You will need to effectively communicate with your peers regarding your analysis and findings and be able to respond to questions.

This is what you should do to prepare:

1. Pick your team (2-3 people). You could also do an individual project, but the requirements will be the same.

2. Find a real world example to examine in your project. This could be on any of the topics that we have covered or are covering in class: Competitive markets; Regulation (taxes and tariffs, minimum wages, import quotas); Consumer behavior; Uncertainty; Theory of Competitive Firm; Monopoly and Oligopoly; Externalities and Public Goods. You could also elaborate on one of your previous real-world examples, or a pick a new one. It is best to check with me on your topic, so that we get a variety of issues covered. Let me know your topic in advance.

3. Review and analyze your case in view of the predictions of microeconomic theory. Does the theory explain the observed behavior of economic agents? Are the market outcomes likely to be efficient? If yes, why? If not, why not? Discuss who likely benefits, and who loses from the current outcome. If appropriate, what kind of regulatory policy would you suggest to increase efficiency of the outcome? Discuss whether this policy would be likely to get implemented. Discuss pros and cons; who would benefit, and who would lose.

4. Prepare a power point presentation of your case. I will invite a communication specialist to teach us how to do presentations to help with preparations. Your presentation should take 7-9 minutes. Practice your presentation several times before class, and share the roles between people in your team.

5. Be prepared to discuss other people’s presentations. Point out strong sides, possibilities for improvement, discuss unresolved/unclear issues. You will be given credit for discussion as well as for your own presentation.

6. I will also ask you to discuss and evaluate the contributions of your team-mates to the project.