Intermediate Microeconomics: Price Theory

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, elements of strategic behavior and informational economics.

Prerequisite: Econ 130 and 131.

Required textbook: Pindyck and Rubinfeld, Microeconomics, 5th edition, Prentice Hall.


Teaching format: Alternating lectures and discussion sessions. Discussion sessions will include review of the covered material, problem-solving, and economic experiments. Student active participation is required.

Course assessment: Class participation (10%), two midterms (20% each) and a final (50%). In addition, up to 5% in extra credit may be gained in class economic experiments.
<table>
<thead>
<tr>
<th>Week</th>
<th>Outline</th>
<th>Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>Markets</td>
<td>PR 1-2, V 1</td>
</tr>
<tr>
<td>(beginning August 22)</td>
<td>Review of Introductory Micro</td>
<td></td>
</tr>
</tbody>
</table>

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

| Week 2          | Consumer theory (I)      | PR 3, V 2-5      |
| (beginning August 29) | Budget constraint, Preferences, Utility, Consumer Choice |

*Discussion session:* None

| Week 3          | Consumer theory (II)     | PR 4; V 6; 8.1-8.4, 8.6-8.8, 15.1-15.3, 15.5-15.8, 15.11; |
| (beginning September 5) | Individual Demand, Market Demand |

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

| Week 4          | Choice under Uncertainty | PR 5; V 12 |
| (beginning September 12) | Expected Utility, Risk aversion |

*Discussion session:* Practice problems on Consumer Theory and Choices Under Uncertainty (Exercises #2,3)

| Week 5          | Theory of the Firm (I)   | PR 6, 7; V 18; 20.1; 20.3-20.6 |
| (beginning September 19) | Technology; Returns to scale, Cost minimization |

*Discussion session:* Practice problems on Choice under Uncertainty (Exercise #3 continued)
Week 6  
(beginning September 26)  
**First Midterm Exam**  
PR 1-5  

**FIRST MIDTERM EXAM**  

*Discussion session:* Midterm review

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Week 7  
(beginning October 3)  
**Theory of the Firm (II)**  
PR 8;  
Profit maximization  
V 19.1-19.9;  
Competitive Firm Supply  
21.1-21.4;  
Market Supply  
22.1-22.6; 23.1-23.4

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

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Week 8  
(beginning October 10)  
**Competitive markets**  
PR 9;  
Equilibrium; Efficiency;  
V 16;  
Examples of intervention  
23.5-23.10

*Discussion session:* Practice problems on Perfect Competition (Exercise #5)

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Week 9  
(beginning October 17)  
**Monopoly**  
PR 10-11;  
Monopoly; Cartels  
V 24-25;  
Price discrimination

*Discussion session:* Monopoly experiment

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Week 10  
(beginning October 24)  
**Oligopoly**  
PR 12;  
Price and quantity competition  
V 27;  
Cournot equilibrium

*Discussion session:* Practice problems on Monopoly and Oligopoly (Exercise #6)

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Week 11  
(beginning October 31)  
**Oligopoly and Game theory**  
PR 13;  
Prisoners’ dilemma; Collusion  
V 28-29;  
Repeated Games

*Discussion session:* Practice problems on Oligopoly and Game Theory (Exercise #7)
**Week 12**  
(begining November 7)  
**Second Midterm Exam**  
PR 6-12

**SECOND MIDTERM EXAM**

*Discussion session: Midterm review*

**Week 13**  
(begining November 14)  
**General Equilibrium**  
PR 16;  
Exchange Economies  
V 30  
Equilibrium and Efficiency

*Discussion session: Practice problems on General Equilibrium (Exercise #8)*

**Week 14**  
(begining November 21)  
**Market failure: Externalities**  
PR 18.1-18.4  
V 33

*Discussion session: Externalities experiment*

**Week 15**  
(begining November 28)  
**Market failure: Public goods**  
PR 18.5-18.6;  
V 35

*Discussion session: Practice problems on Public Goods and Externalities (Exercise #9)*

**Week 16**  
(begining December 5)  
**Review**

*Discussion session: Review*

**FINAL EXAM:** Monday, December 12th, 12:00–2:00 pm.