

**University of Wisconsin
Department of Economics
Economics 311: Intermediate Microeconomic Theory – Advanced Treatment
Fall 2009**

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Class Location : 214 Ingraham,
Class Time TR 11:00-12:15

COURSE DESCRIPTION

This course introduces students to the major analytical and theoretical tools necessary for an advanced study of Microeconomics. It builds a bridge between the concepts introduced in Econ 101 (or Econ 111) and those which will be covered in the more advanced economics courses like International Trade, Public Finance, Industrial Organization, Labor Economics, Health Economics, etc. The emphasis will be on a rigorous development of theory using graphical analysis and multivariate calculus. The prerequisites for this course are any two introductory economics courses, and Math 221 and Math 222. Math 222 can be taken concurrently, but the other classes need to have been completed in earlier semesters. Students should feel quite comfortable with multivariate calculus as it will be needed to develop the optimization theory that will be used in this course. In particular students should be comfortable with Lagrange multiplier techniques used in constrained optimization problems and it would even be a good idea to have some idea of what the Kuhn-Tucker theorem is.

In this course we will explore how economists form and study microeconomic models to understand household and firm behavior. We will examine the virtues of a perfectly functioning marketplace, but we will also analyze possible imperfections in the market. The theory will be applied to policy issues, e.g. anti-trust policy, design of regulatory systems, environmental regulation, etc. The class is designed for honors students and other students who are strong in Mathematics and have excellent analytical skills.

TEACHING FORMAT

Since this course is an honors course we will give a rigorous course geared towards a “pre-graduate student” level. Most of our weekly meetings will be lectures that teach rigorous modeling techniques of microeconomic theory but also with a strong policy application emphasis that will exploit my many years in the policy consulting business. .

COURSE REQUIREMENTS

1. First Midterm Examination, OCTOBER 6 (30% of grade).
In class, covers chapters 1-9.

2. Second Midterm Examination, NOVEMBER 5 (30% of grade).

In class, covers chapters 10-21

3. Final Examination, 10:05 A.M. DECEMBER 17 according to current Time Table (40% of grade).

Covers all material Chapters 1-37.

There will be **no make up exams**. We will average the exams (with slightly more weight on the final) you do take for your course grade. Here is an important remark on grading policy and partial credit assignment for the course: We wish to be able to give partial credit on each exam question rather than simply "right or wrong." Each exam is read twice before the partial credit assignment is made. Hence, in order to protect "nonaggressive" students who tend to accept their partial credit assignments without argument, we will not change partial credit assignments after exams are handed back to students. However, check the addition on your exams. We will correct addition errors when brought to our attention quickly.

Required Text:

Hal R. Varian, Intermediate Microeconomics, W.W. Norton & Company, 7th edition, 2006.

You can find copies of this book at the bookstore. You will definitely need to purchase a copy. There should be copies around on the "used book market" since this book was used for Economics 311 in Fall 2008.

The course outline that follows gives the chapters in Varian that correspond to the lectures. You are responsible for this material and are expected to always come to class prepared. There's nothing like economic policy issues to get people riled up for a good class discussion! But you will not get much enjoyment out of it if you are not prepared when you come to class.

We will use the web a lot besides the textbook. For this reason and in order to reserve time for web-based research I will just use the textbook by Varian for the textbook part of the course.

Econ 311 is a problem solving class. There will be several problem sets given out throughout the semester that have been constructed carefully and serve as an excellent practice for the exams. You are strongly encouraged to work together with classmates when solving these problem set questions, but complete and turn in **your own if we ask you to hand them in**. Students who are regular members of study groups do significantly better in economics classes and also have enjoyed the process more. No late problem sets will be accepted if and when we ask you to turn them in.

COURSE OUTLINE

THE MARKET – DEMAND AND SUPPLY (Sept. 3)

Chapter 1

BUDGET CONSTRAINT (Sept. 8)

Chapter 2

PREFERENCES & UTILITY (Sept. 10,15)

Chapters 3, 4

UTILITY MAXIMIZATION AND CHOICE (Sept. 17)

Chapter 5

THE DEMAND CURVE (Sept. 22)

Chapter 6

REVEALED PREFERENCES - INCOME & SUBSTITUTION EFFECTS (Sept. 24, 29,
Oct. 1)

Chapters 7, 8, 9

FIRST MIDTERM EXAMINATION, IN CLASS, OCTOBER 6

UNCERTAINTY AND RISK (Oct. 8,13)

Chapters 12, 13, 14, Some of Chapters 10,11

MARKET DEMAND AND ELASTICITY (Oct. 15)

Chapter 15

EQUILIBRIUM IN A COMPETITIVE MARKET AND TAXES (Oct. 20)

Chapter 16

PRODUCTION AND TECHNOLOGY (Oct. 22)

Chapter 18

PROFIT MAXIMIZATION (Oct. 27)

Chapter 19

COST MINIMIZATION (Oct. 29)

Chapter 20

COST CURVES (Nov. 3)

Chapter 21

SECOND MIDTERM EXAMINATION, IN CLASS, NOVEMBER 5

FIRM SUPPLY (Nov. 10)

Chapter 22

INDUSTRY SUPPLY (Nov. 12)

Chapter 23

MONOPOLY (Nov. 17)
Chapter 24

PRICE DISCRIMINATION & MONOPOLISTIC COMPETITION (Nov. 19)
Chapter 25, 26

OLIGOPOLY (Nov. 24)
Chapter 27

November 26, Thanksgiving Day

A BIT OF GAME THEORY AND BEHAVIORAL ECONOMICS (Dec. 1)
Chapters 28, 29, 30

EXCHANGE AND GENERAL EQUILIBRIUM (Dec.3)
Chapter 31, 32

WELFARE AND EXTERNALITIES (Dec. 8)
Chapter 33,34.

INFORMATION TECHNOLOGY AND PUBLIC GOODS (Dec. 10)

Chapter 35,36

ASYMMETRIC INFORMATION (Dec 15)

Chapter 37

FINAL EXAM (covers whole course) December 17, 10:05 A.M. (according to current Time Table)

Grievance Procedure

The Department of Economics has developed a grievance procedure by which students may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If a student has a disagreement with an instructor or teaching assistant, we strongly encourage trying to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

To file a grievance, go to Room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, please provide a detailed statement describing what aspects of the course seem unsatisfactory. Sign the sheet, provide student I.D. number, address, phone number, and email address. The Department will investigate comments fully and will respond in writing.

Grievances must be filed in a timely manner. Normally, grievances **MUST BE FILED WITHIN 30 DAYS OF THE START OF THE FOLLOWING SEMESTER**. This deadline will be waived only under exceptional circumstances.

Your name, address, phone number, email address, and student I.D. number will not be revealed to the instructor or teaching assistant, and will be treated as confidential. The Department needs this information if it becomes necessary for a commenting student to meet with the Department Chair or a nominee to gather additional information. A name and address are necessary to provide a written response.