

## **Economics 401-002: Intermediate Microeconomic Theory**

University of Kentucky

Spring Semester 2005

URL: <http://gatton.uky.edu/Faculty/yelowitz/401/spring2005.html>

### **Lectures**

Tuesday/Thursday, 2:00-3:15 pm, Business and Economics Building 313.

### **Relevant info on me**

Professor Aaron Yelowitz

Office: 335W Business and Economics Building

Office hours: Tuesday/Thursday 11-12, 3:30-4:30 pm, and by appointment.

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My background: I am an associate professor in the economics department. This is my fourth year at UK. Before I joined UK, I was an assistant professor in the economics department at UCLA, from 1994 to 2001. I received my Ph.D. in economics from MIT in 1994, and my B.A. from UC Santa Barbara in 1990. My research interests have focused on low-income households – especially concerning the housing and health insurance decisions that these groups are faced with. In some parts of the course, particularly on the U.S. welfare system, I will incorporate some of my previous research.

### **Enrolling in this class**

If you want to enroll in this class, you need to talk to Debbie Wheeler in the economics department; she handles that.

### **Course Description**

This course provides you with a more rigorous understanding of the tools necessary to examine and understand the behavior of consumers and firms in the marketplace. We will learn how the decisions of these individuals come together in a market, often leading to the efficient allocation of goods and services. We will also examine several cases in which the decisions of individual economic agents, for a variety of reasons, lead to the inefficient allocation of goods and services. We start with an introduction to economic analysis. Then we proceed to study consumer theory, gaining an understanding of how consumers' preferences and budgets lead to their consumption choices and the derivation of their demand curves. We then study producer theory and will learn how available technologies lead to cost functions and supply curves. Having gained an understanding of both the demand and the supply sides of economics, we proceed by studying the interactions of consumers and firms in different types of markets.

### **Prerequisites**

Economics 202 or equivalent. Calculus will not be required for this course, but will be presented in class on occasion.

### **Readings**

1. Hal R. Varian, "Intermediate Microeconomics: A Modern Approach," Sixth Edition, W.W. Norton & Company, 2003, ISBN 0-393-97830-3.

2. Theodore C. Bergstrom and Hal R. Varian, "Workouts in Intermediate Microeconomics," Sixth Edition, W.W. Norton & Company, 2003, ISBN 0-393-97831-1.

Both the textbook and the workbook are **required** for this class. Problem sets will come from the workbook, and some exam questions will be based on them. Note that the list price for the 6<sup>th</sup> edition of the textbook is quite expensive – \$133 or so. You are free to purchase *any* earlier edition of it; for example, it appears that one vendor on eBay has the fourth edition available for \$13.89 plus \$4.95 shipping.

### **Preparing for Class**

You should read the relevant chapter(s) in Varian's textbook ahead of time. During class, we will spend considerable time on problem solving – at which time we will go through questions that are representative of test questions. If you read through the chapter ahead of time, this should be valuable preparation for the lectures.

### **Studying for the Exams**

The best way to study for the exams is to independently do the assigned problem sets, and to listen carefully to the suggestions and hints I give during lecture. Unfortunately, previous midterms and finals are not available, as this is the first time I have taught intermediate microeconomics.

### **Grading**

1. The final is on Thursday, May 5, 2005, 1:00 pm. The final will be cumulative. It will count for 25% of your grade. It lasts 2 hours.
2. You will be given three tests; the best two count for your grade. Each test counts for 25% of your grade, and altogether the best two count for 50% of your grade.

### Test dates

- Test #1: February 1, 2005 (Tuesday)  
Test #2: February 24, 2005 (Thursday)  
Test #3: March 31, 2005 (Thursday)

3. Attendance – 15% of grade. At random points during the semester, I will take attendance and award points to those who are in attendance that day. The amount of points may vary, with 15 points total.
4. Problem sets – 10% of grade. I will assign a number of problem sets during the semester. These are not optional and they are intended to be done *independently*. They will be instrumental in preparing for the tests.

The tests will be based on the mainly on the lectures and problem sets.

Please check to be sure that you can take all the tests (or at least two of the three if you are feeling very confident): *there will be no alternative dates for the tests.*

### **Grading Policy**

Grades will be based on tests and the final only. Procedure for re-evaluation of disputed exam scores: Requests must be submitted *in writing* with an explanation of the error the student believes has been made. Written requests and test sheet must be submitted within one week of the date on

which the exams are returned. All tests submitted for re-evaluation will be entirely regraded. The curve depends on my assessment of class performance. I suspect that the median grade in the class will be a B.

**University Holidays / Cancelled Classes**

According to the university calendar, there will be no class on March 15 or 17, 2005 for Spring Break.

## **Economics 401 Course Outline, Spring 2005**

### **I. Introduction**

- A. The Market  
Varian, Chapter 1  
Bergstrom and Varian, Chapter 1, odd numbered exercises

### **II. Consumer Theory**

- A. Budget Constraint and Preferences  
Varian, Chapters 2 & 3  
Bergstrom and Varian, Chapters 2 & 3, odd numbered exercises
- B. Utility and Choice  
Varian, Chapters 4 & 5  
Bergstrom and Varian, Chapters 4 & 5, odd numbered exercises
- C. Individual Demand and Market demand  
Varian, Chapters 6 & 15  
Bergstrom and Varian, Chapters 6 & 15, odd numbered exercises

### **III. Producer Theory**

- A. Technology and Profit Maximization  
Varian, Chapters 18 & 19  
Bergstrom and Varian, Chapters 18 & 19, odd numbered exercises
- B. Cost Minimization, and Cost Curves  
Varian, Chapters 20 & 21  
Bergstrom and Varian, Chapters 20 & 21, odd numbered exercises
- C. Firm Supply and Industry Supply  
Varian, Chapters 22 & 23  
Bergstrom and Varian, Chapters 22 & 23, odd numbered exercises

### **IV. Market Structure**

- A. Consumer's Surplus and Equilibrium  
Varian, Chapters 14 & 16  
Bergstrom and Varian, Chapters 14 & 16, odd numbered exercises
- B. Monopoly and Monopoly Behavior  
Varian, Chapters 24 & 25  
Bergstrom and Varian, Chapters 24 & 25, odd numbered exercises
- C. Oligopoly and Game Theory  
Varian, Chapters 27 & 28  
Bergstrom and Varian, Chapters 27 & 28, odd numbered exercises