

INTERMEDIATE MICROECONOMICS
Fall 2002

Instructor:

Professor Christopher Flinn
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Lecture:

Monday and Wednesday, 2:00-3:15, 369 Waverly Building

Recitations:

(Section 5) Thursday, 12:30-1:45, 803 Silver
(Section 6) Friday, 2-3:15, 207 Meyer

Office Hours:

Tuesday, 2:30-4:00, or by appointment.

Class Web Page:

<http://www.nyu.edu/econ/user/flinn/courses/intermicro02/micro02.htm>

On this page you will find the syllabus, handouts, weekly homework assignments, answers to the assignments (after you are supposed to have handed them in, unfortunately), and copies of exams from past years.

Description:

In this course we will study basic microeconomic theory and its application to some selected problems of both practical and academic interest. Microeconomic analysis involves problem-solving, which means that most of our time will be spent setting-up and solving constrained optimization problems. When we study the manner in which consumers make consumption choices, we will begin by specifying an objective of the consumer [in this case, a preference-ordering or a utility function], a set of constraints the consumer faces [in this case, the prices of items he or she desires and the income available for purchases], and then determine the best [from the point of view of maximizing the objective] allocation of expenditures across consumption goods. When we analyze the behavior of firms, we will typically postulate profit maximization as the firm's objective, and have firms determining input utilization [given their production technology and the nature

of input markets] and output levels [given the structure of the output market in which they operate] so as to maximize this objective. In the final portion of the course we will analyze the manner in which equilibrium in input and output markets is determined. This will serve to put together what may originally seem to be two separate branches of microeconomic analysis [i.e., theory of the consumer and theory of the firm].

While the techniques used to solve problems in intermediate-level price theory are somewhat cut and dried, microeconomic applications are not, and whenever possible we will illustrate price theory in the context of problems students hopefully will find interesting. However, be advised that the principal goal of this course is to ensure that all students can take standard microeconomic problems and correctly analyze them. To have a chance of achieving this goal, all students will have to complete a substantial number of problem-solving homework assignments over the course of the semester.

Prerequisites:

Calculus is not a formal prerequisite for this course, though to be able to make progress we will have to use elementary differential calculus and algebra continually. If you have already taken a course in calculus, that's all the better of course, though in the past I have found that many students who have been exposed to calculus in high school or even in college are more than a bit rusty when it comes to using it. If you haven't had a formal course, I don't believe there is any undue cause for concern. You simply will have to work diligently on acquiring a few basic tools early on in the semester.

To get us all on the same page, so to speak, I have prepared a brief overview and development of the mathematics that will be used this semester. The discussion is decidedly nonrigorous and I have skipped many details and qualifications that will not be relevant for us (I will be happy to recommend more thorough treatments of this material if you are interested). The first two lectures in the course will be devoted to the material in this handout, and the first problem set will only include basic differential calculus problems.

In addition, all students are expected to have completed both Economic Principles I and II. If you haven't completed these courses, you should speak with me.

Texts (*Required*):

Intermediate Microeconomics: A Modern Approach, 6th Edition. Hal Varian. New York: Norton, 2002.

Workouts in Intermediate Microeconomics, 6th Edition. Ted Bergstrom and Hal Varian. New York: Norton, 2002.

Requirements and Grading:

During the semester homework assignments will be given on a weekly basis. Assignments will be distributed on Mondays and will be due the Monday of the following week at the beginning of the class. Answers to the problem sets handed in on Monday will be discussed in the recitation sections on Thursday and Friday of the same week. Please note that *no late assignments will be accepted*. The two lowest grades on the homework assignments will not be counted in determining the final grade. In this way, students who are not able to complete an assignment for reasons beyond their control will not have their grades adversely affected.

There will be two in-class examinations during the semester, a mid-term and a final. These exams will emphasize problem-solving ability, and will contain material similar to that in the homework exercises. The final examination primarily will contain material from the second part of the course, but will also contain material from some topics covered on the mid-term exam. The dates of the examinations are:

Mid-term: In class Monday, October 28.

Final: During finals week, TBA

The final grade for the course will be determined as follows:

Homework Average*:	.20
Mid-term Exam	.40
Final Exam	.40

* Average computed after dropping the two lowest homework scores.

Chapters and Topics in Order of Consideration

Chapter *Topic*

Theory of the Consumer

Handout	Overview of differential calculus and applications
3,4	Preference orderings and utility functions
2,5	Consumer choice; Constrained optimization
6,8	Analysis of individual demand functions
9	Demand for leisure
12	Choice under uncertainty
15	Market demand

Theory of the Firm

18	Production technologies
20,21	Cost functions
19	Profit maximization and derived demand for inputs
22,23	Partial equilibrium models of price determination under perfect competition
24-26	Monopolistic markets
27,28	Oligopoly theory and strategic behavior

Other

33,35	Externalities and public goods
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