

Rose-Hulman Institute of Technology / Department of Humanities & Social Sciences

Spring Quarter 2011 – 2012 / IA350, Intermediate Microeconomics

Section 1: 7th hour (1:35 – 2:25), Olin O – 159

Section 2: 8th hour (2:30 – 3:20), Olin O – 159

Instructor: Kevin Christ, Moench Hall A-203d, 872-6226, email: kevin.christ@rose-hulman.edu

Course Web Site: <http://www.rose-hulman.edu/~christ/micro.htm>

Course Description:

This is a course in intermediate microeconomic *theory*. It focuses mainly on individual decision making in market settings, using formal modeling techniques to analyze consumer choice and market performance. It also introduces students to the economic treatment of uncertainty, market failure, finance and insurance markets, and general equilibrium. While the backbone of the course is the "standard" neoclassical model, the course also includes discussions of recent developments in behavioral economics that sometimes seem at odds with the standard model.

This course does not cover theories of the firm or market structure, strategic interaction, or business economics. Students interested in those topics are encouraged to take SV353 (Industrial Organization), IA352 (Game Theory), or SV351 (Managerial Economics).

The prerequisites for this course are SV151 (Principles of Economics), and a solid grounding in algebra and differential calculus. This course is required for the economics major, is one of two intermediate theory options for the economics minor, and is an HSS "Ideas and Arts" elective.

The format of the class will consist of lectures, problem set discussions, four examinations, and short projects. See the schedule on this syllabus for a tentative plan. Consult the course web site for a more detailed and updated schedule, as well as links to the problem sets and special readings.

Student Learning Outcomes

After completing this course, successful students should be able to:

- Model consumer and producer decisions regarding resource allocation using optimization techniques.
- Apply the concept of general equilibrium to explain interactions among agents in multiple markets, and use such analysis to assess the welfare implications of various forms of market interaction.
- Explain the existence and critique the functioning of specific market mechanisms in important areas such as financial, insurance, healthcare and other markets.
- Interpret and evaluate economic arguments from primary economic research literature.

Textbook: Hal Varian, *Intermediate Microeconomics, A Modern Approach*, 8th ed. Norton, 2010.

Assignments and Grades:

Grades will be assigned using the following weights:

Attendance, Participation, Problem Sets	20%
Exams (4)	80%

Policy Toward Attendance and Participation:

- 4 unexcused absences → forfeiture of attendance and participation credit (20%)
- 6 unexcused absences → additional 1-letter grade reduction
- 8 unexcused absences → failure of course

Other Course Policies:

- Assigned material (see course schedule on this syllabus and the course web site) should be read prior to class. Students are expected to attend class regularly and to participate in class discussions.
- Problem sets will not be graded, but will be discussed in class, and students will be expected to provide in-class answers, explanations, and interpretations.
- Unexcused missed exams will result in a grade of zero for that exam. With a legitimate written excuse, approved in advance, a missed exam may result in the administration of a make-up exam. Students are responsible for providing written documentation for absences stemming from Institute-sponsored events.
- The professor reserves the right to amend these course policies and alter the schedule.

Course Schedule and Readings:

	<i>Monday</i>	<i>Tuesday</i>	<i>Thursday</i>	<i>Friday</i>
<i>Week 1:</i> <i>March 5 – 9</i>	Markets & Equilibrium Varian, 1	Constraints & Preferences Varian, 2 and 3	Utility & Optimal Choice Varian, 4 & 5	Consumer Demand Varian, 6
<i>Week 2:</i> <i>March 12 – 16</i>	Revealed Preference Varian, 7	Income & Substitution Varian, 8	Income & Substitution Varian, 8	Buying & Selling Varian, 9
<i>Week 3:</i> <i>March 19 – 23</i>	Buying & Selling Varian, 9	<i>Exam 1</i>	Surplus Varian, 14	Market Demand Varian, 15
<i>Week 4:</i> <i>March 26– March 30</i>	Equilibrium Varian, 16	Taxation TBD	Pure Exchange Varian, 31	Pure Exchange Varian, 31
<i>Week 5:</i> <i>April 9 – 13</i>	Technology, Profits, Costs Varian, 18, 19, 20.1	Production Varian, 32	Welfare Varian, 33	<i>Exam 2</i>
<i>Week 6:</i> <i>April 16 – 20</i>	Intertemporal Choice Varian, 10	Intertemporal Choice Varian, 10	Asset Markets Varian, 11	Uncertainty (Risk) Varian, 12
<i>Week 7:</i> <i>April 23 – 27</i>	Risky Assets Varian, 13	Risky Assets Varian, 13	Behavioral Economics Varian, 30	Applications to Finance TBD
<i>Week 8:</i> <i>April 30 – May 4</i>	Auctions Varian, 17	<i>Exam 3</i>	Externalities Varian, 34	Health Care Markets TBD
<i>Week 9:</i> <i>May 7 – 11</i>	Information Technology Varian, 35	Technology Markets TBD	Public Goods Varian, 36	Education Markets TBD
<i>Week 10:</i> <i>May 14 – 18</i>	Asymmetric Information Varian, 37	Insurance Markets TBD	TBD	<i>Exam 4</i>