Economics 11: Intermediate Microeconomic Theory

Syllabus

Instructor: Ioannis Kospentaris

Summer 2016 Session C

Logistics

- **Lectures**: Mondays and Wednesdays from 8.30 am to 10.35 am in Haines 39
- **Instructor’s e-mail**: john25aris@gmail.com
- **Office hours**: Mondays and Wednesdays from 11 am to 12 pm in the Alper room (Bunche Hall, second floor, room 2265)
- **Class website**: https://moodle2.sscnet.ucla.edu/course/view/161C-ECON11-2 . I am going to post practice problems in this website; please check it often.
- **Textbook**: Walter Nicholson and Christopher Snyder, “Microeconomic Theory: Basic Principles and Extensions”, 11th edition. I strongly recommend to get a copy of this book; I am going to follow it closely for my lectures and assign practice problems from it. Older editions should be fine but please make sure that you figure out what are the relevant chapters/problems assigned!
- **Prerequisites**: Economics 1 and standard multivariate Calculus material: partial derivatives, unconstrained and constrained optimization, simple integrals. I will go over some necessary Math in the first lecture but it will be difficult to follow if you have never used these tools before. Please use the references given in the end of the syllabus for a Math refresher (also, chapter 2 in Nicholson and Snyder’s book covers the necessary Math)!
- **Requirements/Grading**: There will be a midterm exam on Monday, August 22nd and a final exam on Wednesday, September 7th; both of them are closed-book, in-class exams. The final is NOT cumulative; that is, the material covered in the midterm is not going to be tested on the final. Your grade for the class is going to be determined as follows:
Class Grade = 50% \times \text{Midterm} + 50\% \times \text{Final}
\text{or}
Class Grade = 30\% \times \text{Midterm} + 70\% \times \text{Final}

whichever is higher. Also, I might give a bonus up to 5 points based on active class participation; that is, people who contribute often to the class discussion may earn up to 5 extra points.

If a student misses the midterm because of a valid medical reason (for which documentation will be provided), his/her grade is going to be solely based on the final. A student who misses the midterm without a valid medical excuse or without receiving prior permission will receive a zero.

The problem sets will not be graded but are essential for doing well in the class; please work on them!

- **Disabled students**: Any student with a preexisting illness or condition who requests special arrangements must (a) qualify under OSD rules for such special arrangements and (b) must take the exam with OSD. Any such arrangements with OSD must be made during the first week of classes. The instructor must be informed of any such arrangement in the first week of classes. For additional information and the qualification conditions of the Office of Student Disabilities (OSD), please visit their website at https://www.osd.ucla.edu/ . All other students must take the exams at the scheduled time under the same time constraints. It is the responsibility of all students who request special arrangements with OSD to be familiar with all of their rules as well as the rules of this class.

- **Academic dishonesty**: Any cases of cheating will be reported to the Office of the Dean of Students. For more details please refer to the Office of the Dean of Students website at http://www.deanofstudents.ucla.edu/ .

**Course Description**

This is the first course of the two-part sequence in Microeconomic Theory offered by the UCLA Economics department (the second one is Econ 101). The aim of Econ 11 is to provide a rigorous introduction to Microeconomics, the branch of Economics dealing with the behavior of individual economic decision makers, such as consumers and firms. We will study how consumers and firms make economic choices and how the implications of these choices affect observable economic variables, such as prices.

It is important to remember that this is a course on Economic Theory, not on policy; i.e. the material may seem a bit abstract and technical in the beginning. The tools you are going to learn in this class, however, will be used in ALL Economics/Business/Finance courses you will take in the future.
A rough schedule for the class follows:

- **Lecture 1**: Introduction to Economic Models; Motivation for the course; Some necessary Math; Preferences and Utility (Nicholson and Snyder, chapters 1-3).

- **Lecture 2**: Indifference Curves; Utility Maximization; Expenditure Minimization; Duality (Nicholson and Snyder, chapters 3-4).

- **Lecture 3**: More on Utility and Choice; Demand Functions; Comparative Statics (Nicholson and Snyder, chapters 4-5).

- **Lecture 4**: Income and Substitution Effects; Demand Elasticities; Consumer Surplus (Nicholson and Snyder, chapter 5).

- **Lecture 5**: More Comparative Statics; Slutsky Equation; Demand Relationships among goods (Nicholson and Snyder, chapter 6).

- **Lecture 6**: Last Remarks on Consumer Theory; Introduction to Production Functions (Nicholson and Snyder, chapter 9).

- **Lecture 7**: Midterm Exam

- **Lecture 8**: More on Production Functions; Returns to Scale; Introduction to Cost Functions (Nicholson and Snyder, chapters 9-10).

- **Lecture 9**: More on Cost Functions; Cost Minimization; Shephard’s lemma (Nicholson and Snyder, chapter 10).

- **Lecture 10**: Profit Maximization; Input Demands; Profit Functions; Application: Labor Market (Nicholson and Snyder, chapter 11).

- **Lecture 11**: Application: Short-run Partial Equilibrium (Nicholson and Snyder, chapter 12).

- **Lecture 12**: Final Exam

**References**


- Hal Varian, “*Intermediate Microeconomics: A Modern Approach*” (this is another good textbook on Micro; it covers the same material as Nicholson and Snyder but it is more idiosyncratic).
• Carl Simon and Lawrence Blume, “Mathematics for Economists” (the standard reference book for Math used by economists).

• Alpha Chiang and Kevin Wainwright, “Fundamental Methods of Mathematical Economics” (a lot of applications of Math in Micro and Macro can be found here).

• Knut Sydsaeter and Peter Hammond, “Essential Mathematics for Economic Analysis” (this is like Simon and Blume but it is more focused on examples; if you want to complement your studying with only one book, I would recommend this one; I still use it).

• Robert Heilbroner, “The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers” (summer reading: if you want to read only one book about Economics in your whole life, it should be this one; it is absolutely fascinating).


  In these podcasts you can listen to clever people using the tools we will learn in this class to analyze real-world phenomena; some of the talks are really awesome and you can see why we spend so much time to learn all that Math: it helps us rationalize the real world.