Lecture: MW 8:00 to 9:15 AM in Broad 2160E
Office Location TBA, Office Hours: M 9:30-10:30 AM and W 2-3 PM
there will be extra office hours in exam weeks
(e-mail: mcdevitt@econ.ucla.edu)

COURSE DESCRIPTION: Laws of demand, supply, returns and costs; consumer theory;
production and cost theory; price and output determination in competitive markets; monopoly.

COURSE REQUISITES: Econ 1, 2; Math 31A & 31B.

TEXTBOOK AND STUDY QUESTIONS: The required textbook is Microeconomic Theory (12th
dition) by Walter Nicholson and Christopher Snyder. The 9th, 10th, 11th editions are also fine.
Old lecture notes from a previous quarter have been posted on the course website.

IT IS VERY IMPORTANT TO ATTEND THE LECTURES AND TO TAKE YOUR OWN NOTES.
The lectures from this quarter will not be exactly the same as in previous quarters.
I will be providing my own study questions. These questions will
not be collected or graded, but you should find them useful in preparing for exams. The study
questions, old lecture notes, handouts, practice exam questions, optional readings, and other
materials can be found on the course website at
https://moodle2.sscnet.ucla.edu/course/view/17F-ECON11-1

EXAMS: There will be three exams. The approximate weighting of the exams is as follows.
First Exam (October 18th, Wednesday) - 20% & Second Exam (November 15th, Wednesday) -
30%. Final Examination (December 13, 2017, Wednesday, 8am-11am) - 50%
ALL exams must be taken at the scheduled time. Exams will consist of multiple choice
questions and essay/problem questions. The final exam is cumulative. I occasionally use two
rooms for the exams. The second room will be announced in class and posted on the class website
when the information becomes available. The midterm exams usually consist of: (a)
approximately 5 to 7 multiple choice/fill-in-the-blanks type questions and (b) an “essay section”.
By “essay” I mean any question that is not a multiple choice question! This means math based
questions, graph-based questions, writing-based questions or, most likely, a combination of all
three of these elements. Questions are designed so that any writing is typically very brief. For
midterms, with 75 minutes for the exams, it is very important to get to the point when answering
a question.

EXAM HINTS:
1. It is probably a good idea to very quickly scan the entire exam before starting. Get a rough idea
of which questions you feel you can easily handle and which questions might be a bit more of a
challenge. Do not spend a disproportionate amount time on a question that is not worth that many
points—you can always go back to it after you have answered the other questions.
2. My multiple choice questions should be approached as if they were mini-essay questions. That
is, see what the question is asking, solve it in the margins as if an essay question and then look at
the possible choices. You circle ONLY one option. I have (or will) posted sample multiple
choice questions on the course website.
3. To save time, make sure you answer the question asked and do not put in extraneous information. If you write more than you need to there is good chance you will run out time.

4. In preparing for the exam, the lecture material is priority number one. Unless explicitly ruled out in class, all material covered in lectures or variations thereon are fair game. In doing the study questions, you might want to challenge yourself by trying to think of variations on these questions. Your TAs will also provide problems.

**POLICY ON MISSED EXAMS:** If a student has a valid medical excuse and can provide documentation of such an excuse, or if the student has received prior permission (at least one week in advance of the exam) to miss an exam from the instructor, then additional weight will be placed on the final exam. Prior permission to miss an exam is only granted for serious and compelling reasons. A student who misses an exam without a valid medical excuse or without receiving prior permission will receive a zero.

**EXAM RULES:** Many of these exam rules listed below are to make sure all students have the same amount of time and to guarantee the integrity and fairness of the exam, so I urge to please read them.

1. There will be four versions of the test. Each version will have a different color. When we hand out the exams you will need to alternate the colors in your row so that no one sitting next to you has the same color. Likewise, no one sitting in front or behind you should have the same color.

2. The exam will start at 8:00 AM in our regular classroom and will end at 9:15 AM. As we hand out the exams, do not start until we tell you to start. That means do not turn the page of the exam, do not read any question. In fairness to all students, we want to make sure that everyone has the same amount of time for the exam. The exam ends at exactly 9:15 AM and all writing must stop at this time.

3. It is usually the case that you will need all 75 minutes for the midterms. Because of the large number of students involved, it is easier to collect exams as follow. When we call for you exam, please remain seated and immediately pass your exam to the end of the row. If you are in the middle rows, we will let you know which direction to hand them in.

4. No calculators, no scantrons, no bluebooks. You only need to bring pencils/pens and your UCLA photo ID. Please make sure to turn off your cell phones and place it in your backpack or something similar that can be sealed. Do not place in your pocket. Your photo IDs will be checked during the exam, so please have them out on your desk top. A TA will come by and check your photo ID against a master class photo roster. **NOTE about not being able to use calculators:** Since calculators are not allowed, I will make the numbers easy to calculate and/or give you a separate sheet with awkward calculations listed and/or allow you to leave your answer unsimplified (for example, if a solution is, say, \(133/0.485\), it would be okay to simply write it that way).

5. Once the exam starts, you will not be allowed to leave the room until you hand in your exam. Plan accordingly.

**DISABLED STUDENTS and the UCLA CENTER FOR ACCESSIBLE EDUCATION (CAE), formerly known as OFFICE of STUDENT DISABILITIES (OSD):** Any student with a pre-existing illness or condition who requests special arrangements must (a) qualify under CAE rules for such special arrangements and (b) must take the exam with CAE. Any such arrangements with CAE must be made 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 CAE, please visit their website at [http://www.cae.ucla.edu/](http://www.cae.ucla.edu/). All other students must take the exam at the scheduled time under the same time constraints. It is the responsibility of all students who request special arrangements with CAE 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/Academic-Integrity](http://www.deanofstudents.ucla.edu/Academic-Integrity)

**Teaching Assistants and TA Sections**

**AMADO GARFIAS, MARIA**
- 1I: PUB AFF 1278 / Tuesday / 4:00pm-4:50pm
- 1P: BUNCHE 3157 / Monday / 2:00pm-2:50pm

**GUANZIROLI, TOMAS**
- 1M: BUNCHE 3156 / Friday / 1:00pm-1:50pm
- 1F: ROLFE 3121 / Thursday / 2:00pm-2:50pm

**HO, CHON HOU**
- 1G: PUB AFF 2242 / Monday / 1:00pm-1:50pm
- 1L: PUB AFF 1270 / Tuesday / 4:00pm-4:50pm

**IKUDO, AKINA**
- 1K: BUNCHE 3123 / Thursday / 10:00am-10:50am
- 1N: BUNCHE 3164 / Tuesday / 11:00am-11:50am

**PARTOW, RUSTIN**
- 1J: BUNCHE 2156 / Monday / 4:00pm-4:50pm
- 1D: ROLFE 3116 / Monday / 10:00am-10:50am

**ROJAS AMPUERO, FERNANDA**
- 1A: BUNCHE 3157 / Friday / 12:00pm-12:50pm
- 1B: PUB AFF 2242 / Friday / 10:00am-10:50am

**SHANG, HUALEI**
- 1E: ROYCE 156 / Monday / 2:00pm-2:50pm
- 1H: BUNCHE 3143 / Friday / 9:00am-9:50am

**XIE, YIRAN**
- 1C: BUNCHE 3164 / Friday / 1:00pm-1:50pm
- 1O: PUB AFF 1278 / Friday / 10:00am-10:50am

**T. A. DUTIES:** In addition to their usual duties of holding weekly sessions, TAs will be responsible for handing back exams and reviewing the answers. *Once the review is finished, the exams will be collected immediately.* Students will also be allowed to look at their exams during TA office hours, but may not copy down questions or take the exams with them. Grade appeals should be made to your TA in writing. If you are not satisfied you may appeal to the professor. When a grade on an essay/problem question is appealed, the entire essay/problem section will be reviewed. Any grade appeals must be made within TWO weeks from the day the exams are first available for review.
READING ASSIGNMENTS 12th edition

ORDER OF TOPICS

1. Supply & Demand; Consumer and Producer Surplus. These topics generally take about 1.5 to 2 weeks to cover.
   For basic S&D: Ch.1 (pp. 11-14)  and For CS/PS: see lecture notes
   - Much of the lecture time on S&D will be for its well-known application to tax or subsidy problems and related discussion. We will see how many other problems can be analyzed as if they were equivalent to a tax and/or subsidy (for example, the labor fringe benefit application we did in class). Other aspects of this topic will be on elasticity and its relationship to tax burden.
   - For the CS/PS topic, which you would have had to some degree in Econ 1, we will elevate the level of discussion. Expected applications include different types of agricultural price support programs, the efficiency implications of the sales tax/excise tax. Discussion on deadweight loss Tariff and import quota applications.

2. Consumer Theory: Indifference Curves and Budget Lines, Consumer Optimization, Substitution and Income Effects, Applications of the model. The Consumer Theory topic is one the essential parts of Econ 11. We spend a considerable amount time on these topics, roughly 3.5 to 4 weeks. Chapters 3-5
   - Preferences, utility and utility functions. Discussion on utility functions, indifference curves, properties of indifference curves and how these properties follow from the assumptions or axioms of consumer behavior. Will discuss the marginal rate of substitution: its definition, its relationship to indifference curves, its relationship to marginal utilities, and how to calculate. Discussion on different types of utility functions: Cobb-Douglas, perfect substitutes, perfect complements, and CES. Also covered: discussion on preferences by as they relate to “bads” vs. “goods”. How preferences are reflected by slope and tilt of indifferent curves.
   - Budget Constraints. Discuss the equation and graph versions of the budget line. Features of the budget line such as intercepts, slope, kinks, and discontinuities. Economic interpretation of the slope of the budget line. Concept of the relative price of a good. Various shifts in the budget line including parallel shifts, pivots and kinks.
   - Optimization. Combining discussion on preferences (indifference curves, utility functions) and with that on constraints (budget constraint), and how we solve for the optimal bundle (i.e., utility maximizing bundle). Interior solutions and corner solutions. Optimization methods. Deriving demand functions (in the Cobb-Douglas case). The Lagrangian method of constrained optimization.
   - Adapting model to include composite commodity.
   - First round of applications. Various applications of model discussed. Discussion of primal and dual. Indirect Utility function and other key functions (and curves).
   - Substitution and Income effects. Discussion of normal good and inferior good cases, Giffen good. Discussion of compensated and uncompensated demand functions. Their derivations in the Cobb-Douglas case.
   - Second round of applications designed to illustrate substitution and income effects.

3. Production and Costs. About 1.5 weeks to cover. Chapters 9-10
   - Discussion on short run costs including fixed cost, variable cost, total cost, average fixed costs, average variable cost, average total cost, and marginal cost. Characteristics and relationships between these various cost categories.
   - Relationship between short run production and costs and applications.
• Long run production and costs. This topic includes discussion on isoquant curves, properties of isoquants, special cases of perfect substitutes and perfect complements. Cobb-Douglas case, marginal rate of technical substitution. Discussion on various aspects of marginal rate of technical substitution, slope of isoquants, interpreting convexity, relationship to MPL and MPK. Discussion on isocost curves, slopes of isocosts and how to interpret.
• Producer optimization in the long run. Duality of the optimization problem and what this implies about the isocost-isocost graphs and the set up the Lagrangian equation. Discussion on how to solve for the optimal input combination. Applications of isocost-isocost model. Changes in relative input prices and its impact on optimal input combination.
• Derivation of the long-run and short-run total cost functions in the Cobb-Douglas case. Relationship between short-run and long-run cost curves. Constant, Increasing, and Decreasing Returns to Scale for the Cobb-Douglas production function and interpretation of the sum of exponents.

4. Profit Maximization and Perfect Competition. Approximately 1 to 1.5 weeks to cover.
Chapters 11, Ch. 12
• Perfect competition. Discussion on price takers, profit maximization, different approaches to profit maximization and applications. Comparing profit tax, lump-sum tax, and per-unit tax. Relationship between total profit and profit per unit. Discussion losses, shut-down price. Derivation of short-run supply curve for firm and for market.
• Discussion on economic profit vs. accounting profit. Long-run equilibrium in perfectly competitive industry, short-run equilibrium. Applications of model to constant-cost and increasing-cost industries.

5. Monopoly. Approximately 0.5 to 1 weeks to cover. Chapter 14
Econ 101 covers imperfect competition in detail, but here I will introduce the basics of the monopoly model. [Note: Econ 101 covers imperfect competition in more detail]

6. General Equilibrium (time permitting) Ch. 13

READING ASSIGNMENTS 11th edition

1. Supply & Demand; Consumer and Producer Surplus. These topics generally take about 1.5 to 2 weeks to cover.
For basic S&D: Ch.1(pp. 11-13) and For CS/PS: see lecture notes
2. Consumer Theory: Indifference Curves and Budget Lines, Consumer Optimization, Substitution and Income Effects, Applications of the model. The Consumer Theory topic is one the essential parts of Econ 11. We spend a considerable amount time on these topics, roughly 3.5 to 4 weeks. Chapters 3-5
3. Production and Costs. About 1.5 weeks to cover. Chapters 9-10
4. Profit Maximization and Perfect Competition. Approximately 1 to 1.5 weeks to cover.
Chapters 11, Ch. 12
5. Monopoly. Approximately 0.5 to 1 weeks to cover. Chapter 14
[Note: Econ 101 covers imperfect competition in more detail]
6. General Equilibrium (time permitting) Ch. 13
**READING ASSIGNMENTS 10th edition**

**TOPIC**
1. Supply & Demand; Consumer and Producer Surplus  
   For basic S&D: Ch. 12(pp. 391-406)  
   For CS/PS: pp. 419-431

2. Consumer & Producer Surplus;  
   Consumer Theory: Indifference Curves and Budget Lines  
   Chs. 3-5

3. Consumer Theory (continued)  
4. Consumer Theory; Production and Costs  
5. Production and Costs (continued);  
   Perfect Competition, Monopoly  
   Chs. 3-5; Prod&Costs: Chs. 9-10  
   Chs. 9-10;  
   Perfect Comp.: Ch. 11, Ch. 12(pp. 406-416)  
   Monopoly: Ch. 14  
   Ch. 13

6. General Equilibrium

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**READING ASSIGNMENTS-9th edition**

**TOPIC**
1. Supply & Demand; Consumer and Producer Surplus  
   For basic S&D: Ch. 10(pp. 289-294)  
   For CS/PS: Ch. 11

2. Consumer & Producer Surplus;  
   Consumer Theory: Indifference Curves and Budget Lines  
   Chs. 3-5

3. Consumer Theory (continued)  
4. Consumer Theory; Production and Costs  
5. Production and Costs (continued);  
   Perfect Competition, Monopoly  
   Chs. 3-5; Prod&Costs: Chs. 7-8  
   Chs. 7-8;  
   Perfect Comp.: Ch. 9, Ch. 10(pp. 295-305)  
   Monopoly: Ch. 13

6. General Equilibrium