

**PPOL—501 01 Introduction to Microtheory**  
**Dr. Luis Brunstein**  
**Fall 2009**

Textbook: Microeconomics, by Robert S. Pindyck and Daniel L. Rubinfeld, seventh edition, Pearson/Prentice Hall.

Objectives of the course:

The current economic crisis, global financial instability, poverty, unemployment, health care, immigration of undocumented workers, outsourcing, deficits, are some of the many issues being played by the media capturing our daily attention. Our welfare, expectations, our happiness and that of our family and friends, depend to a limited extent on the design and outcome of economic policy. Microeconomic theories, concepts and ideas contemplated in this class should help you frame the analysis of some of the policies designed to address some of our current problems. Taxes, government intervention, price controls, social policy and many other issues could be addressed with some of the ideas to be discussed in class.

Course outline: the following is a tentative outline of the materials to be covered in class. The readings are suggested to supplement the lectures and the sequence and coverage may be altered. All changes will be announced in class and via email. While some of the items may be covered in just one or two lectures, others may take longer. Difficult materials may beget class participation and questions. Hence, the actual timing dedicated to each topic will be a function of various human variables. The tentative dates to cover the materials are included in parenthesis.

1. Introduction (9/2): we will discuss the use of economic theory and ideas as a framework to analyze public policy. I will also provide an overview of the course regarding coverage, exams, assignments and other matters. Please read chapter 1.
2. Supply and demand (9/9, 9/14): Please read chapter 2, sections 2.1-2.5 and 2.7.
3. Consumer behavior (9/16, 9/21): Please read chapter 3, sections 3.1-3.3 and 3.5. , In class I will also discuss topics not covered in the book such as in-kind programs (food stamps) and inter-temporal choice.
4. Individual market demand (9/23, 9/28): Please read chapter 4, sections 4.1-4.4, and pages 531-3 on the supply of labor in chapter 14. In class I will also discuss a topic not covered in the book, equivalent and compensating variation.
5. Production (9/30, 10/5): please read chapter 6, sections 6.1-6.4
6. The cost of production (10/7): please read chapter 7, sections 7.1-7.4

**First midterm: Wednesday, October 14, covers items 1-6**

7. Profit maximization and competitive supply (10/19, 10/21): please read chapter 8, sections 8.1-8.8
8. The analysis of competitive markets (10/26, 10/28): please read chapter 9, sections 9.1-9.6
9. Market power (11/2, 11/4): please read chapter 10, sections 10.1-10.7
10. Price discrimination (11/9, 11/11): please read chapter 11, sections 11.1-11.5

**Second midterm: Monday, November 16, covers items 7-10**

11. Monopolistic competition and oligopoly (11/18, 11/23): please read chapter 12, sections 12.1-12.6
12. Game theory (11/25, 11/30): please read chapter 13, sections 13.1-13.7.
13. General equilibrium (12/2, 12/7, 12/9): please read chapter 16, sections 16.1-16.7.

**Final exam: comprehensive, with more emphasis on items 11-13. The exam will take place on Wednesday, December 16, 2009, between 9 and 11 a.m. in the classroom.**

Grades:

There will be two non-cumulative midterm exams and one comprehensive final. In addition there will be a number of homework assignments and one writing assignment.

Each midterm exam will weight 20%, the final exam weights 25%, the set of homework weights 15%, the writing assignment 10%, and class attendance and participation 10%.

If for some reason your early grades are not as expected, please know that an improvement of your grades over the course of the semester will have a favorable effect on your overall course assessment provided you have been to class at least 90% of the time.

Attendance:

Coming to class is important because the exams and the homework assignments are based on the lectures. I will also do some problems in class to show you how to apply the ideas and also to give you a sense of the materials that may appear on the exams. In addition, people who come to class regularly seem to be more engaged with the material and tend to perform better in the exams.

Exams:

Each exam will test your understanding and analytical skills. You do not need to memorize anything. In fact, you can bring two pages of notes to the exam, written on both sides. The problems we will do in class and the ones I will assign you will give you a good idea of the type of problems you should expect in the exam. Coming to class and actively participating will help you prepare for the exam.

Homework:

Homework assignments will be designed to help you prepare for the exams and to test your understanding of the subject. I will assign problems not only to apply the materials covered in class but also to address some of the questions you and other students may bring up during lecture. I will give you enough time to complete each of the assignments. These will be announced in class and via email and posted to blackboard as well. The time to complete the assignment will be commensurate to the length and complexity of it.

Writing assignment (*due by Wednesday, December 9, 2009, at noon via email*):

Economic theories and ideas may give you a general analytical framework within which you may be able to analyze events taking place in the real world. The purpose of the writing assignment is to give you an opportunity to do just that.

As we get close to the end of the semester you should have been exposed to a series of theories, concepts and economic ideas that may help you address some policy issue of your interest.

In this short assignment you must find a news' analysis or opinion piece on policy, such as taxation, health care or many others, written in a major outlet, like the New York Times, and discuss it utilizing economic theories, concepts and ideas introduced in this course, explaining whether you agree or disagree with the main points of the story and why. In other words, you will criticize the news' analysis and will tell me why.

I am not asking for your personal opinion but for an analysis based on economic theories, concepts and ideas covered in the course.

I will grade the assignment by judging its overall presentation, quality, and its ability to link economic ideas to the real world.

Roughly the length of the assignment would be 2 pages, single-spaced, 12 pitch, and would mostly be verbal analysis framed by the economic ideas and concepts discussed in class. This is a way to show me that you can transform abstract ideas into practical knowledge.

If you wish, you can exceed the suggested length, but I would not encourage it.