

## Intermediate Microeconomics (Economics 302)

### Contact Information and Office Hours

Fall 2008

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Monday & Wednesday 10.00am – 11.30am

Office: TBA

### Course Description:

This course is designed to provide a general introduction to, and survey of, microeconomic theory. The material for this course is built around the study of economic agents (e.g. consumers, producers, factor-owners) maximising objectives (e.g. utility, profits, rent) in an environment of economic constraints (e.g. income, costs, time). You are advised to review their first year notes on microeconomics and mathematics as familiarity with material from these courses is essential.

The tools you learn in this is vital for those who plan to take advance courses in economics as such as Industrial Organization, Labor Economics, Game Theory, etc.

### Suggested Text Book:

Most intermediate microeconomics textbooks cover the material adequately. I tend to follow Varian's textbook fairly closely.

Varian, H. "Intermediate Microeconomics: A Modern Approach", Norton, 7<sup>th</sup> edition.

### Reading Material:

Basic lecture notes (PowerPoint /pdf files) can be downloaded from:

<http://courses.ttu.edu/econ3320-kdesilva/review.html>

It will be assumed that you have downloaded the basic lecture notes prior to lectures.

### Exams and Grading Procedure:

There will be two 75 minutes exams during the semester and one comprehensive final examination.

The two 75 minutes exams will be given during the regularly schedule class periods

**(October 1<sup>st</sup> and November 5<sup>th</sup>)** and will count for 60% of your total grade (30% each exam).

The comprehensive final will count for 40% of the grade. However, I will give the final exam a weight of 50% (and correspondingly reduce the weight of the midterms) if doing so helps a student's grade. The final also serves as a make-up for those who have missed for a valid reason one of the midterms. Missing an exam without prior approval for any reason other than a medical emergency or a cause of equal gravity will result in a failing grade for that exam.

### Attendance:

Attendance at the lectures is at your discretion. However, attendance is helpful in mastering the course material. If you do attend, please be on time. If you miss a lecture(s) it is your responsibility to collect those lecture notes including any handouts and turning in your home work assignments on time.

### Course Structure:

There are few important remarks that need to be made on the course structure

- The course is based primarily on lecture format. However, to ensure that everyone follows along, I will often ask questions and will sometimes ask you to work on a problem during class.
- Lectures are not self-contained: it is not expected that you will be able to follow a lecture if you have gaps in your knowledge from prior lectures.

- It is not expected that understanding the lectures will prepare you to perform well in the exams: successfully completing the practice problems is a necessary component for such preparation.

## **COURSE OUTLINE**

### **1. Introduction**

(Varian: Chapter 1.)

Optimization and equilibrium

Demand, supply and market equilibrium

Comparative statics

### **2. Consumer Theory**

(Varian: Chapters 2-6, 8 & 15; parts of Chapters 7, 10 & 14.)

Budget constraint

Preferences and utility

Optimal choice

Substitution and income effects: Slutsky equation

Applications: Labour-leisure choice, intertemporal choice.

Consumer surplus

### **3. Producer Theory**

(Varian: Chapters 18-22; parts of Chapter 16.)

Inputs and outputs

Cost curves and cost minimisation

Short-run and long-run

Profit maximisation

Producer surplus

### **4. Different Market Structures & Game Theory**

(Varian: Chapters 23, 24, 25, 27, 28 & 29.)

Perfect competition

Firm supply and industry supply

Equilibrium in perfect competition

Monopoly and monopolistic competition

Allocative and productive efficiency

Oligopoly, Cournot and Bertrand

Game theory and Nash equilibrium

### **5. Factor Markets**

(Varian: Chapter 26.)

Factor pricing in perfectly competitive markets and imperfectly competitive markets