ECON 501 - MICROECONOMIC THEORY-I

FALL 2019

Instructor: Ana Espinola-Arredondo
Lectures: Hulbert Hall 23 (ground floor), Mondays and Wednesdays, 9:10-10:25 a.m.

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E-mail: anaespinola@wsu.edu
Office hours: Fridays, 9:00-10:00 a.m., and by appointment.

TA: Imisi Aiyetan
Office hours: Fridays, 10:00-11AM. Hulbert 205F.
Review sessions: Fridays, 11:00-12:00pm. Location of review sessions: Hulbert 23.
E-mail: imisi.aiyetan@wsu.edu

Course Rationale
This course analyzes the individual behavior of individuals, consumers, and firms. The focus of the course will mainly be theoretical, although several applications and empirical implications will be discussed.

Course Objectives and Learning Outcomes
The main objective of the course is to make students be able to apply the tools of advanced microeconomic theory to understand and model individual decision making. In addition, the topics learned in this course should prepare the student for a better understanding of the concepts he/she will learn in the spring sequence of the Micro theory course. Furthermore, the theoretical approach of the course (and many of the mathematical tools explained) will set stronger foundations for analyzing economic problems, not only from a microeconomic perspective but also in other fields in economics.

Prerequisites:
Intermediate Microeconomics is recommended and some college algebra and calculus is also expected. Some books on mathematical methods in economics are suggested below, as a helpful support during the course, and are strongly recommended.

Required Text:
Recommended Reading (Microeconomics):

- Walter Nicholson and Christopher M. Snyder (NS) *Microeconomic Theory: Basic Principles and Extensions*. South Western College Publ. (11th edition, 10th edition is also ok). [This book is a good complement to MWG in terms of intuitive reasoning. It is especially useful as a bridge between Intermediate Micro and graduate level micro theory.] I especially encourage you to read Chapter 2 on useful mathematics for microeconomic theory. In addition, I highly recommend you to read the corresponding chapter of the textbook before starting to read MWG.

- Hugh Gravelle and Ray Rees. (GR) *Microeconomics*. Prentice Hall. (2nd or 3rd edition). [A good complement to MWG in terms of intuitive reasoning. It is especially useful as a bridge between Intermediate Micro and graduate level micro theory].


- I strongly recommend using an Intermediate Micro textbook as a support for the intuition behind the theoretical concepts we will discuss in class. You can choose some textbook you might be familiar with, but I include some below (Any edition might work):

Other recommended Reading (Mathematics):

Most comprehensive:


Also recommended (refreshing undergrad mathematics):


Also recommended (although not so comprehensive):


**Lectures:**

Lectures will be held in Hulbert Hall 23 (ground floor), on Mondays and Wednesdays and Fridays 9:10–10:25a.m. Attendance is very important to your success in this class.

**Review Sessions (Practice sessions):**

Your teaching assistant, Sunny, will be holding review sessions every week. You will cover exercises similar to those you will have to solve in your homework assignments and exams. The TA will go over each step that you have to use in order to solve these exercises. Attendance is strongly recommended, and has proven very useful in previous editions of this course.

Time: Fridays, 2:00-3:00pm.
Location: Hulbert 23.

**Class materials:**

All class materials (handouts, homework assignments, answer keys, etc.) will be posted on the website: [https://anaespinolaarredondo.com/econs-501-microeconomic-theory-i/](https://anaespinolaarredondo.com/econs-501-microeconomic-theory-i/)

**Grading:**

Your grade for the course will be based on:

- Problem sets (35%),
- Two midterms (20% each), and
- Final exam (25%).
Exam dates:

Midterm #1: Monday, October 7th, in class
Midterm #2: Wednesday, November 13th, in class.

Final exam: Friday, December 13th, 8:00-10:00 a.m., in class.

Make-up exams will only be given if you have a note from a doctor indicating that you were unable to take the exam at the scheduled time.

Attendance and Participation:

Students are expected to attend all scheduled class times, as attendance and participation contribute significantly to learning in this course. If you feel miss a class, it is your responsibility to find out from an informed student what occurred in class, what assignments may have been given, etc. Assignments are due at the beginning of class (as described below). Late work is subject to significant grade reduction, depending upon the assignment.

Students with Disabilities:

Reasonable accommodations are available for students with a documented disability. If you have a disability and may need accommodations to fully participate in this class, please visit the Disability Resource Center at http://www.drc.wsu.edu/, stop by their office at the Admin Annex Building, Room 205; or call 509-335-3417. All accommodations must be approved through the Disability Resource Center.

Academic Integrity:

Academic integrity will be strongly enforced in this course. Any student caught cheating on any assignment will be given an F grade for the course and will be reported to the Office Student Standards and Accountability. Cheating is defined in the Standards for Student Conduct WAC 504-26-010 (3). It is strongly suggested that you read and understand these definitions: http://conduct.wsu.edu/default.asp?PageID=338.

WSU Safety:

WSU is committed to maintaining a safe environment for its faculty, staff, and students. Safety is the responsibility of every member of the campus community and individuals should know the appropriate actions to take when an emergency arises. In support of our commitment to the safety of the campus community the University has developed a Campus Safety Plan, http://safetyplan.wsu.edu. It is highly recommended that you visit this web site as well as the University emergency management web site at http://oem.wsu.edu/emergencies to become familiar with the information provided.

DESCRIPTION OF COURSE REQUIREMENTS

Homework:

Homework assignments will be posted on the course website (almost) every Monday, and they must be submitted the next Monday at the beginning of the class. Make sure you give yourself enough time to complete the problem sets. You are encouraged to work in groups, although an individual homework assignment has to be submitted per student. Working in groups has proven to be a very successful learning technique for previous students of this course. Additional practice problems will be provided if required.

Grading scale:

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<td>A</td>
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Course Schedule:
The course schedule is tentative and subject to change depending upon the progress of the class. When more than a reading is suggested for a given topic, the ✓ sign marks those which are especially recommended.

1. August 19th – 21st.
   • Preference Relations and Consumer Choice.
   • MWG: Chapters 1 and 2 ✓ JR: Chapters 1.1-1.3; and Rubinstein: Lectures 1 and 3.
2. August 26th – August 28th.
   • Demand Theory: Preferences and Utility.
   • MWG: Chapters 3A-3D ✓ JR: 1.3; GR: 2A-2C ✓ and Rubinstein: Lectures 2, 4 and 5.
3. September 2nd and 4th. [No class on Monday, September 2nd, Labor Day.]
   • Demand Theory: Duality.
   • MWG: 3E-3G ✓ JR: 1.4, 1.5, 2.1; GR: 3A-3B ✓ Rubinstein: Lecture 6.
   • Demand Theory: Measuring welfare changes.
   • MWG: 3I; and GR: 3C-3D ✓
5. September 16th – 18th.
   • Demand Theory: Applications.
   • GR: Chapter 4, SS: 10.7 and 11.3-11.6.
   • Aggregate Demand.
   • MWG: 4A-4C.
7. September 30th – October 2nd.
   • Aggregate Demand and Production.
   • MWG: 5A-5C ✓ JR: 3.2.
   • Production and Costs.
   • MWG: 5D-5G ✓ JR: 3.3-3.5; SS: 8 and Rubinstein: Lecture 7.
9. October 14th – 16th.
   • Choice under uncertainty.
   • MWG: 6A-6B ✓ SS: 13, and GR: 17A-17D.
    • Choice under uncertainty.
• MWG: 6C-6E √ GR: 17E-17G.

   • Competitive Markets.
   • MWG: 10A-10C.

   • Competitive Markets.
   • MWG: 10D-10G.

   • Externalities and Public Goods.
   • MWG: 11, and additional readings.

   • Monopoly and Price discrimination.
   • MWG: 12B (only monopoly), and additional readings.

   • No class: Thanksgiving break.

   • Introduction to Oligopoly and Review.

17. December 9th – 13th, Final exams’ week.
   • Final exam: Friday, December 13th, 8:00-10:00a.m., in class.