

Dartmouth College, Department of Economics

Course Information: Economics 21 - Intermediate Microeconomics
(Summer 2007)

Class Meetings: Section 10: MWF 10:10-11:15
[x-hour: Thur 12-12:50]

Section 12: MWF 12:30-1:35
[x-hour: Tue 1-1:50]

Location: Carson 060

Prerequisites: Economics 1, Mathematics 3

Course Page: <http://www.dartmouth.edu/~econ21wg>

Course Description: Economics 21 is a course in intermediate microeconomics. While the introductory Econ01 course will have taught you how economists think about phenomena in the world (and has therefore largely developed your economic intuition), this class is more rigorous: it is an introduction to the use of some very simple but fundamental mathematical tools in economic analysis. The focus on a mathematical approach has advantages. First, it generalizes the methods used since Econ01: we can now immediately look at a much broader class of problems. Second, using mathematics makes the analysis easier. We can describe indifference curves and their properties in an easier and more straightforward way.

The central players in microeconomics are still the consumer, the firm, and government. We are still interested in market equilibria and rational behavior and study pricing and allocation processes. Our household optimum still involves budget lines and indifference curves. When analyzing substitution and income effects, we now use the Slutsky concept (Ch. 8), both mathematically and graphically. This concept offers a more intuitive explanation of the substitution effect compared to the Hicks concept used in Econ01. We also extend our treatment of individual decisions by covering problems of intertemporal choice and other extensions.

The basic concept of consumer surplus brings us back to market demand, to comparative statics, profit maximization and cost minimization of firms. We still treat cost curves of the representative firm, as well as pricing in markets of imperfect competition. The central focus of the second part of the course is a detailed treatment

of monopoly behavior. The course ends with a brief introduction into new topics such as platform markets.

Readings: The textbook for this course is Hal Varian's *Intermediate Microeconomics*, Norton, 7th edition, 2006. The accompanying workbook is *Workouts in Intermediate Microeconomics*, by Bergstrom and Varian. Additional material will be distributed in class when necessary. It is helpful if you read the chapters before class, and the textbook is really an easy-to-read source. I currently do not plan to cover chapters 7, 11, 12, 13 as well as some later chapters (tba). The ISBN number for the package is 0-393-16711-9 .

Problem Sets and Presentation: I assign a list of problems for the chapters that we cover in class - every Thursday evening. You should solve these problems. Other than in an Econ01 course, I will not grade your answers and you do not need to turn them in, except if you are presenting. During our first three class meetings I will hand out a list for presenters to sign up (pick one out of the 6 following dates). The reason for this timetable is to give everybody the chance to discuss their own solutions in a study group that are usually held between Sun and Tue. Everybody should be given a chance to present one selected problem in class.

Problem Set 1: Due 7/11

[7/18: Midterm exam]

Problem Set 2: Due 7/25

Problem Set 3: Due 8/1

[8/8: Midterm exam]

Problem Set 4: Due 8/15

Problem Set 5: Due 8/22.

Grading and Exams: There will be two midterm exams that count for 25% each and a cumulative final exam that counts for 40%.

Participation in class and presenting the solutions to problem sets counts together for up to 10% of the total grade.

I do not give make-up exams as in Econ01. If a student misses an exam, I take her average over her other exam grades. A penalty may be imposed, depending on why students miss the exam. Students that are sick on the day of the exam will need to obtain a medical note through their class dean and let me know before the exam is scheduled to take the exam.

Honor Principle: Work on examinations must be the student's own, without assistance from others or from notes or texts. I also regard allowing others to copy your work as a violation of the Honor Principle. Simple arithmetic calculators (no laptops, palm pilots, or memo minders) may be used during tests.

Disabilities: Students with any kind of certified disabilities should contact me not later than the second week of July.

Slides: The slides I use in class can be downloaded from the course page at least one day before class (2 per page handout, always subject to change). It is helpful to look at the slides before class, I sometimes change my presentation a bit to react to questions we had etc. .

Study Groups: The Academic Skills Center (301 Collis) will offer study groups for this course. Further details will be handed out in class during the first week.

Course Outline:

M, June 25 - Introduction and Review, ch. 1

T, June 26/ R, June 28 – x-hour: Budget Constraint, Taxes, Subsidies, Rationing, ch. 2

W, June 27 – Preferences: Assumptions, Examples and MRS ch. 3.1 -3.6

F, June 29 – Utility, ch. 4.

M, July 2 – Choice, ch. 5.

T, July 3 – x-hour: Demand, ch. 6.

W, July 4 – College holiday.

F, July 6 – No Class

M, July 9 – Slutsky Equation, ch. 8.1-8.6

T, July 10/ R, July 12 – x-hour: Exercises and review

W, July 11 - Slutsky Equation, ch. 8.1-8.6

F, July 13 – No Class

M, July 16 – Review Session

W, July 18 – **Midterm 1 Exam**

F, July 20 – Revealed Preferences, ch. 7.1-7.5, Buying and Selling I, ch. 9.1-9.3

M, July 23 - Buying and Selling II, ch. 9.4-9.9, Preferences on Consumption, ch. 10.1-10.4

T, July 24/ R, July 26 – x-hour: Consumer's Surplus and Producer's Surplus, ch. 14 (parts)

W, July 25 - Elasticity, ch. 15 (parts)

F, July 27 - Compensating and Equivalent Variation ch. 14.8

M, July 30 - Compensating and Equivalent Variation ch. 14.8

W, Aug 1 – Monopoly ch. 25

F, Aug 3 - Slutsky equation reconsidered.

M, Aug 6 – Review Session

W, Aug 8 – **Midterm 2 Exam**

F, Aug 10 – Monopoly behavior ch. 25: Third and Second Degree Price Discrimination.

M, Aug 13 – Two-Part Tariff, Bundling and Mixed Bundling

W, Aug 15 – Presentations (PS4)

F, Aug 17 – Tie-ins, Entry Deterrence and Foreclosure (Handouts)

M, Aug 20 - Two-sided Markets or other topics (TBA)

W, Aug 22 – Last Presentations (PS5).

Review Session: TBA

Final Exam: August 26, 8am

Instructor: Wolfgang Gick, Rockefeller 313 (office hours: MW 3-4:30)