WIDENER UNIVERSITY
SCHOOL OF BUSINESS ADMINISTRATION

Microeconomic Theory (EC 311)
Syllabus – Fall 2013

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Web Page: http://muse.widener.edu/~kleppel/index.html
Office hrs: M T W Th 11:00 a.m. - 12:15 p.m.

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PREREQUISITES: EC202 and MATH118 or equivalent.

CLASSROOM RULES: The School of Business Administration of Widener University seeks to prepare students for successful careers. In your career, you will be judged both on your competence and on your professionalism, which includes showing respect for others and taking responsibility for your actions. This course is a training ground for analytical thinking and professionalism. Consequently, you are expected to act according to the following rules.

Do:

- Attend class regularly and punctually.
- Remain in the classroom for the duration of the class.
- Remain awake and attentive throughout the class.
- Bring to class appropriate materials and tools, such as notes and writing utensils.
- Come to class prepared, having completed readings and other assignments.

During class meetings, do NOT:

- engage in extraneous and distracting conversation.
- talk on cell phones or send text messages.
- do work pertaining to other courses.
- Send/read e-mail, surf the internet, play computer games, etc.

Students who behave inappropriately will be asked to promptly discontinue the behavior or leave the classroom. Habitual violators will be required to meet with the Assistant Dean of the School of Business Administration to discuss the situation. If no acceptable resolution is achieved, the matter will be forwarded to the campus judicial system.

COURSE OBJECTIVE: This course is devoted to furthering student understanding of decision-making processes, and the economic behavior of households and business firms under various market conditions. Special emphasis is placed on developing advanced tools of economic analysis and quantitative problem solving.

LEARNING OBJECTIVES: At the completion of this course, the student should be able to:

1. Use differential calculus to determine utility-maximizing consumption levels.
2. Determine the price elasticity of demand for a specified demand function and price.
3. Determine and interpret marginal product and average product for a specified production function.
4. Using the perfectly competitive model, show the effects on consumer and producer surplus of policies such as price ceilings and floors, sales taxes, and trade tariffs and quotas.

5. Given the demand function and cost function, use differential calculus to determine the firm's profit-maximizing price and output levels.
6. Use game theory to determine an oligopolistic firm's dominant strategy.
7. Determine appropriate prices using strategies including price discrimination, two-part tariff pricing, and peak-load pricing.
8. Show how a minimum wage or a union-bargained wage affects the employment level in a monopsonistic labor market.
9. Explain market responses to the problems of moral hazard and adverse selection.
10. Explain why a per-unit pollution tax is less costly than a fixed pollution level policy.

TEXTBOOK: *Microeconomics: Theory & Applications*, 11th ed., by E. K. Browning & M.A. Zupan. John Wiley & Sons, Inc. ISBN: 978-1-1180-6554-9 (hard cover) or 978-1-1181-2937-1 (binder-ready).

Why read the textbook? If an instructor does not include material on the exam that was in the textbook but not in the lectures, students claim that there is no reason to read the book. But that is not true. We learn better if we see/hear material multiple times in multiple ways. Reading the textbook helps to reinforce and clarify what is presented in the lecture.

LECTURE NOTES:
Notes are provided at my website: http://muse.widener.edu/~kleppel/index.html **.** ***In order to perform activities, students are required to bring the notes to class in either printed form (six-slides to a page is recommended) or in digital form on an electronic device.***

LEARNING TECHNIQUES:
(1) Lectures (2) Group problem-solving (3) Individual paper

COURSE GRADE DETERMINATION (Pluses & minuses are **not** used for course grades):

3 exams each worth 20%	60%
final exam	30%
individual paper	10%
	100%

Exams: There will be three exams plus a final exam. The three exams will follow sections III, VI, and IX on the syllabus. Dates for exams will be announced in advance. The final exam covers the material from the entire course. Depending on the performance of the class, exam grades may be curved. Adjusted grades will be determined based on the relative position in the appropriate grade ranges. (For example, a middle B will be adjusted to equal an 85.) Make up exams will not be given without a written excuse from a physician or other appropriate authority.

Individual Paper: Students write a paper in which they answer questions requiring application of course concepts in a personal context. These papers count 10% of the course grade.

SKILLS OUTCOMES:

Skills in:
(1) Knowledge of Microeconomic Principles and Differential Calculus.
(2) Basic communication skills.

Skills out:

(1) Ability to work both alone and with a group of people to solve economic problems at an intermediate level.
(2) Ability to present and explain an economic problem and its solution at an intermediate level, using words and graphs.

ACADEMIC ASSISTANCE:
Students who could use assistance with study skills or time management are encouraged to contact the office of Academic Support Services at the Pineapple House, 522 E. 14th Street (610-499-1267).

COURSE OUTLINE:

I. Introduction and Review of Supply and Demand
Topics: markets; circular flow; demand versus quantity demanded; supply versus quantity supplied; equilibrium
Practice Problems: Supply and Demand
Reading: Chapters 1 and 2

II. Demand and Utility
Topics: cardinal versus ordinal utility; total utility; marginal utility; indifference curves; income consumption curve; Engel curve; price consumption curve; income and substitution effects; Giffen good; market demand curve; total, average, and marginal revenue; arc elasticity versus point elasticity; price elasticity of demand; income elasticity of demand; cross elasticity of demand; price elasticity of supply
Practice Problems: Utility Maximization
Substitution and Income Effects
Regression Interpretation
Reading: Chapters 3 and 4

III. Production
Topics: production function; discrete and continuous marginal products; average product; isoquant; marginal rate of technical substitution (MRTS); constant, increasing, and decreasing returns to scale
Practice Problems: Cobb-Douglas Production Function Problem
Reading: Chapter 7

IV. Cost of Production
Topics: isocost; total cost, total variable cost, and total fixed cost; average total cost, average variable cost, and average fixed cost; discrete and continuous marginal cost; maximizing profit using differential calculus; economies of scale and diseconomies of scale; expansion path; economies of scope; maximizing profit in a two-product firm; firm goals other than profit maximization
Practice Problems: Maximizing Output Subject to a Given Cost Level
Profit Maximization
Reading: Chapter 8

V. Perfect Competition