

Syllabus: Intermediate Microeconomic Theory

Econ 3070-001

Fall 2014

Instructor: Alex Kormendi

Office location: ECO 309B

Office hours: M 3:00; F 1:00; or by appointment¹

Email:² alex.kormendi@colorado.edu

TA:

Office location:

Office hours:

Class Meeting: MWF 12:00–12:50 in HLMS 199

Class website: Desire2Learn

Discussion Website: www.reddit.com/r/CUecon3070/

Course Description

Intermediate Microeconomics at CU builds upon what you have learned in Principals, covering neo-classical economic theory, game theory, graphical analysis in the context of several simple models that approximate real-world economic dynamics, and quantitative optimization using calculus. These subjects and tools are intended to provide a foundation to continue your study of economics, help understand the elements that enter rational “optimal” decision making, and thereby to teach you to make better decisions for yourself and on behalf of clients and employers.

However, the theory, conclusions, and tools taught in core economics across the country should not be taken dogmatically or even literally: the most sophisticated modern economic models (well beyond the scope of this class) explain only *very small amounts* of the variation in behavior observed in real-world data, and they perform even worse at prediction. This is partly because not all factors influencing choices are known to the econometrician, but also because the models themselves *are approximations* that do not account for very strong real-world behavioral forces (e.g. love; cultural/social perspective shifts; non-material value; absent-mindedness; etc.). In real life, there are more situations with more issues at play with more nebulous and interactive mechanics than quantitative analysis can possibly capture. Making decisions in most real life situations calls for the use of intuition, innovation, approximation, and other fuzzy semi-logical processes. Cleverly applied, the “morals” we learn in class can be used to improve these day-to-day processes for the benefit of you, others, broader society, the environment, and anything else of importance: costs should be minimized, some are hidden, some are unexpected; value should be maximized, and it

¹ Appointments only made if you cannot attend scheduled hours and will be held at our mutual convenience.

²This is the best way to contact me outside of office hours. Please allow me 4 hours to respond.

takes many forms; risk and uncertainty exist and are costly; variety is the spice of life; information is fundamental to every decision; our actions affect others, and their actions affect us; we coexist with the environment and everything it contains; consequences often manifest in future periods; human interaction is a negotiation; our actions send signals to others that broadcast our character and intentions, alas. If life is making a series of decisions, then life is economics, and living is tactics and strategy: it's important to know the rules, players, teams, payouts, and that no one need lose.

The core material and tools you will be tested on in this course center around quantitative optimization methods. If you enter professional fields such as economic/strategic consulting, finance, or an industry which employs structural modeling to inform business decisions (most analysis stems optimization), then you may ultimately use these tools, or comparatively similar ones, in your daily career, potentially even building economic models from the ground up which are idiosyncratic to your employer's or client's needs.

Prerequisites

Economics Prerequisites: ECO 1000 or ECO 2010

Math Prerequisites: ECO 1078 & 1088 or MATH 1300 or MATH 1310 or MATH 1081 or MATH 1080 & 1090 & 1100 or MPPM 1350 or equivalent

It is assumed that every student has a working knowledge of basic algebra, calculus, and graphing skills. Relevant math techniques and economic concepts will be briefly reviewed when necessary, but you are responsible for the math and econ requirements of this course.

Required Textbook/Materials

Clicker is required, which you are to bring to every class. They are used both to answer in-class questions, and as a form of attendance. (details below)

The required textbook is *Microeconomics*, by Besanko and Braeutigam, 3rd–5th ed., Wiley. Unfortunately, due to intellectual property laws and economic forces, hard copies of this book are quite expensive, though some that less so for older editions. You are not required to purchase a hard copy, and may use digital copies if you chose, though please note that using any of the free good quality digital copies easily findable through major online search engines constitutes a violation of the US's poorly designed copyright laws³ if you do not pay the publisher for a license. I recommend reviewing the previous days' notes and reading the relevant chapters in the textbook *before each lecture*.

³I am not an enforcer of these laws.

Grading⁴

Score	rade	Score	rade
93 -100	A	3 -	C
90 -92	A-		

I will consider discussions closed for grading 2 weeks after initially posted, though you are welcome to continue the conversation after; I will consider requests to extend an such deadline based on the quality of the conversation to ensure good arguments and insight are given due credit. All students must submit a reddit user name they plan to use for the duration of the semester. You do not need to make your real name public to the class, only to me. If you have an existing reddit account, you may use it. You must accumulate 20 points over the course of the semester to receive full credit (10% of final grade); you will never lose points for posting, and a single post can earn as many as 5 points, however grading will be *very* tough so do not expect to earn 10 points in 4 posts unless your arguments are original, complete, precise, based on sound economic principle, but also insightful beyond the basic predictions of the economic models you've learned so far. I suggest some combination of the following strategies:

Quantity: Post every week, multiple times if you have more than one thing to add to the conversation; note I will give 0 points for an post that does not add anything of substance to the conversation (e.g. gives opinion with no supporting rationale), uses uncited references, or repeats thoughts given by other classmates.

Quality: Go deep, really try to get us to understand your perspective and the reasons you have for it. Moreover, make sure you've really thought through your perspective fully before posting to ensure I know you've done your homework.⁵ Make sure your arguments are consistent with "abstract" economic decision making and your understanding of human nature.

Short Assignments

Short assignments are another way for you to practice and learn the material. These will be given without prior notice and will either be assigned individually or as a group. Forming a study group from the beginning is one of the most effective ways to master the material and study for exams. Therefore, we will be forming teams and working on in-class assignments in these groups several times throughout the semester. The in-class assignments will feature one or two questions and will be graded on a 0 to 5 scale. If you don't finish the assignment in class it'll be due at the beginning of the following class. Occasionally individuals or teams can volunteer to demonstrate one of the problems from the previous day's in-class assignment for an extra point. Attendance is required to receive credit for in-class assignments and you will receive a grade of zero if you are not present in class to participate in the team assignment. There will be no way to make-up team assignments if you miss them, however you are allowed to drop your lowest score.

Clicker Questions

Approximately unannounced 12 times throughout the semester I will ask questions to be answered by Clicker. Your grade will be calculated directly by the number of answers you get right divided by the total number of questions asked throughout the semester. You may not work together *for Clicker questions*. Answering clicker questions is also how I will take attendance: I will take a headcount of the class to ensure only those present submit answers; questions will be asked at the beginning of class, so be on time!

⁵ as intended

Attendance

I will use the submission of a clicker answer as our “here” for taking attendance. You are only counted present and answer the clicker question at the beginning of class and stay until the end (unless I approve an explicit request to leave early). Clicker submissions will be paired with a headcount of the class to ensure one “here” per person, so do not submit an answer with an absent person’s clicker. If there are more answers than heads, the entire class will lose 1% of their final semester grade unless the culprit is uncovered⁶, in which case the absent individual and the accomplice will both receive a 0 for their semester clicker grade and incur three additional absences. You are allowed to have three absences without consequence. For each additional absence (4 or more) I will deduct 3% from your final grade in the course. For example, if you are absent five of the eight clicker questions, your maximum possible grade is a 94% or said another way if you earned an 85% in the course, your final grade would be a 79%. Individuals that are present for all clicker questions get a 3% bonus on your final grade in the course. All adjustments to grades are made after the final class curve has been set.

Exams

Exams will be comprised of multiple choice and short answer questions. Please bring a #2 pencil and a *non-programmable/-cell phone* calculator to every exam. The second midterm and the final exam are both cumulative to reinforce what you learned at the beginning. The dates are as follows:⁷

Midterm 1: September 24 in class

Midterm 2: October 27 in class

Final: December 15, 10:30–1:00, location TBD (probably still in HLMS 199)

If you have an 96% or higher in the course going into the Final Exam you will not be required to take the final exam and you will receive an A in the course.⁸

Policies

Please note the following policies, some of which are repeated elsewhere in this syllabus:

Lateness: Even on days we do not have clicker questions, do not be late! I reserve the right to deduct from your grade for chronic lateness.

Calculators: no programmable/graphing calculators; you may *not* use your cellphone as a calculator or anytime during an exam (or class).

Cell phones: Cellphone use is not permitted in class; if communication is urgent, please leave the classroom even to send a text message.

Computers: you may not use a laptop or tablet in class without requesting permission from me first. Note, they will typically not be helpful for in-class activities.

Notes: I will provide slides used in class in advance. Do not waste time replicating them in class; instead, please print these and bring them to class to mark up with whatever additional

⁶I have both a photo roster and a list of every student whose clicker submitted an answer, so don’t expect to get away with it.

⁷I reserve the right to reschedule either midterm at any point until the week it is scheduled.

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Tentative Schedule

Week	Book	Topics	Notes
Aug 25	Ch 1, start Ch 14	Intro, Game Theor	
Sep 1	Ch 14, Ch 3	Consumer Preferences & Utilit	o Class Mon!
Sep 8	Ch 3, Ch 4	Consumer Choice	
Sep 15	Ch 4, Ch 15	Risk & Information	
Sep 22	Ch 15, Midterm 1, recap	Demand & Suppl Final sis	Midterm: Sep 24
Sep 29	Ch 2, Ch 5	Individual & Market Demand	
Oct	Ch	Inputs & Production	
Oct 13	Ch 7	Costs & Cost minimization	
Oct 20	Ch 8	Cost curves	
Oct 27	Midterm 2, recap, Ch 9	Competitive Markets	Midterm: Oct 27
Nov 3	Ch 9, Ch 10	Applications of Competitive Theor	
Nov 10	Ch 11	Monopol	
Nov 17	Ch 11, Ch12	Monopol & Capturing Surplus	
Nov 24			o Class!
Dec 1	Ch 12, Ch 13	Market Structure	
Dec 8	Ch 13, Final Revie		Last Week
FINAL E AM: DEC 15, 10:30–1:00			

Other Stuff

Students with disabilities If you qualify for accommodations because of a disability, please sub-

name. I will gladly honor our request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_cod

Honor Code Please see my cheating policy above.

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu; 303-725-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>

Discrimination & Harassment Policy Nothing short of radical consent has the potential to