

INTERMEDIATE MICROECONOMICS (ECON 3070-006)
Department of Economics, University of Colorado
Fall 2010

M,W,F:	11:00-11:50 am,	Professor:	Charles de Bartolome
Room:	RAMY N1B23	Office:	ECON 203
Office hours:	M 2:15-3:15 pm; Tu 9:15-10:15am; Fri 9:15 - 10:15 am.	Tel #:	(303) 492-4464
		e-mail:	debartol@colorado.edu

Textbook: Andrew Schotter, (2009), *Microeconomics: A Modern Approach*.
South-Western Cengage Learning.

Course description:

The course's primary goal is to prepare students with the basic tools used in the 4000-level courses. It presents the material by considering the different stages of economic development. The decisions by households of how hard to work, which goods to buy and how much to save are presented in an undeveloped economy. A firm is then posited to discover a production process and to become a monopoly: its pricing decisions are discussed. The monopoly's profits induce entry and the industry becomes an oligopoly. The interaction between the firms is used as a tool to present game theory. As more firms enter, the industry becomes competitive. The welfare consequence of the different industry structures are discussed.

Course Level:

The course builds on the material presented in the Introduction to Economics (ECON 1000) or the Principles of Microeconomics (ECON 2010), covering the material at a more advanced level. The basic relationships are developed graphically and using calculus.

Pre-requisites:

EITHER ECON 1000 (Introduction to Economics) OR Econ 2010 (Principles of Microeconomics);

AND

EITHER ECON 1078 and 1088, OR MATH 1071 and 1081, OR MATH 1071 and 1300, OR APPM 1350.

Course assignments and CULearn:

All course assignments, problem sets and some lecture notes are posted on CULearn at: <https://cuconnect.colorado.edu>

In the past, some students have had difficulty in downloading some of the posted pdf files. ITS advises that this is due to the large file sizes. ITS recommends that you open the Adobe Acrobat Reader. Then click as: Edit > Preferences> Internet and *uncheck* “Allow Fast Web View”.

Please note that six pages of each Adobe Acrobat file can be printed on a single sheet by clicking as: Print >Properties > Multipage Printing > 6.

Problem Sets:

Problem sets with answers will be posted for each topic. The problem sets are an integral part of the course. They are designed to help you master the material.

In addition, there are many questions at the end of each chapter in the textbook. I particularly encourage you to d •

Difference with other sections:

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Harassment Policy:

The University of Colorado at Boulder policy on Discrimination and Harassment, the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships applies to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of discrimination or harassment based on race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (O

Academic Integrity:

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/>

Course outline:

shown overleaf is a list of topics to be covered and likely dates.

15, 17 Sept APPLICATIONS OF HOUSEHOLD DEMAND
Labor Supply
Savings Supply

5 (pp. 93-104.4)

also: pp 683.5 - 685

Problem Set 3: Labor Supply and Savings Supply
Textbook problems $\beta @ h\beta \tilde{o}FW \ddagger F \& \ddot{o}^2 \& \ddot{o} \& \mathcal{A}EVD$

Textbook problems: Chapter 9, Q 1, 3

11Oct FIRMS: COSTS (cont) 10
Short-run and long-run
Marginal cost functions
Average cost functions.

Problem Set 6: Costs

Textbook problems: Chapter 10, Q 1

4. “MARKET” INTERACTIONS: HOUSEHOLDS AND FIRMS

13,15,18 Oct STRATEGIC ANALYSIS: GAME THEORY 11
Extensive form *omit:* pp. 237.7 - 251,
Information sets *omit:* Appendix A
Strategy *omit:* Appendix B
Normal form
Nash Equilibrium
Credible Threats
Subgame Perfect Equilibrium
Backward Induction

Problem Set 7: Game Theory

Textbook problems: Chapter 11, Q 2, 6

20,22 Oct “MARKET”: MONOPOLY 17
Marginal revenue curve *omit:* pp. 391.8 - 403
Maximizing profit *omit:* Appendix B
- “marginal revenue = marginal cost” rule
Well-being created by monopoly
Socially-optimal single price

Problem Set 8: Monopoly

Textbook problems: Chapter 17, Q 4.

25 Oct SECOND MIDTERM (7:00 - 9:00 p.m. in MUEN E0046)

27, 29 Oct “MARKET”: MONOPOLY: REGULATION 18
1, 3 Nov Social inefficiency: deadweight loss *omit:* pp. 429.4 - 432
Natural Monopoly *omit:* pp. 436.5 - 441

	Sustainable Monopoly Average-cost pricing Rate of return regulation Price-cap regulation	<i>omit:</i> Appendix A <i>omit:</i> Appendix B
	<i>Problem Set 10:</i> Regulation <i>Textbook problems:</i> Chapter 18, Q 2, 5	
5,8,10 Nov	“MARKET”: DUOPOLY Cournot Quantity Model Welfare properties of duopolistic markets	19 <i>omit:</i> pp. 463.5 - 466.1 <i>omit:</i> pp. 472.4 - 482.1 <i>omit:</i> pp. 484.6 - 485.5 <i>omit:</i> Appendix B
	<i>Textbook problems:</i> Chapter 19, Q 1	
12 Nov	“MARKET”: OLIGOPOLY AND MARKET ENTRY Perfect competition as a sequence of successful entries	pp. 510 - 512. 5
	<i>Problem Set 10:</i> Duopoly/Oligopoly	
15, 17 Nov	“MARKET”: PERFECTLY-COMPETITIVE MARKETS IN SHORT-RUN Short-run supply of individual firm Short-run Equilibrium	14 <i>omit:</i> pp. 334 - 336.7
	<i>Textbook problems:</i> Chapter 14, Q 2.	
19, 29 Nov	“MARKET”: PERFECTLY-COMPETITIVE MARKETS IN LONG-RUN Long-run equilibrium Dynamic changes	15 (pp. 342-349.5)
	<i>Textbook problems:</i> Chapter 15, Q 1, 2.	
1 Dec	NORMATIVE PROPERTIES OF COMPETITIVE EQUILIBRIA Why are long-run competitive equilibria so good? First Fundamental Welfare Theorem Second Fundamental Welfare Theorem	15 (pp. 349.5-355)

Problem Set 11: Perfect Competition

3 Dec FACTOR MARKETS 26
Labor Market *omit:* pp. 689-699.5
Capital Market

Textbook problems: Chapter 26, Q 3, 7 8.

5. COURSE SUMMARY: EXPERIMENT

6,8,10 Dec EXPERIMENT

14 Dec FINAL EXAM (7:30 - 10:00 pm in RAMY N1B23)