Overview: This course will provide the basic tools of microeconomic analysis and illustrate their usefulness in managerial decision-making. We will examine the consumer’s behavior, the firm’s pricing and output decisions, and market outcomes. Examples, many drawn from economic and business history, are used throughout to complement the theoretical framework.

Text: The recommended text for this course is Microeconomics, by Jeffrey M. Perloff. (The third, fourth, fifth or sixth editions are acceptable.) There is also a required reading packet that contains applications of the material covered in the text.

Grading: Grades will be determined by one of the following two formulas:

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm</td>
<td>35%</td>
<td>0%</td>
</tr>
<tr>
<td>Homeworks</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>50%</td>
<td>85%</td>
</tr>
</tbody>
</table>

In other words, if you perform better on the Final than you did on the Midterm, I will not count your Midterm grade toward your class grade. This system makes the Midterm effectively optional, though I strongly suggest you take the test. There will be no makeup for the Midterm.

Per the new Booth rules, the maximum grade point average for the class will be 3.33, and plus or minus grades are now possible.

Problem Sets: There will be approximately five graded problem sets. Please note that the problem sets are not optional. The problem sets will be graded, but the two lowest problem set grades will be dropped. Thus, no late problem sets will be accepted. If you have an emergency that prevents you from turning in a problem set, I will treat that problem set as one of the two lowest grades.

If a problem requires calculations or math, you must show your work.

You are encouraged to work with your classmates on the problem sets. You have the option of handing in solutions in groups of up to four students.

Problem sets will be posted on chalk after class. Problem set answers will be posted on chalk the following week. If you miss class, please visit chalk for any announcements that you may have missed.
Booth Honor Code: Students in my class are required to adhere to the standards of conduct in the Booth Honor Code and the Booth Standards of Scholarship. I also require students to sign the following Booth Honor Code pledge, “I pledge my honor that I have not violated the Honor Code during this examination (while completing this problem set).” on every examination (problem set). If an assignment or an examination is turned in without the Honor Code pledge, I reserve the right to treat the assignment or exam as if it were not completed.

Mathematical Requirements: You should refresh your memory of algebra and basic calculus. I urge you to review these concepts before the course begins. You will be required to solve mathematical problems on Problem Sets, the Midterm and the Final.

You should:

- Be able to graph an equation (especially a linear equation) on a two-dimensional graph.
- Be able to solve a system of two equations and two unknowns for those points where both equations are true.
- Understand what a derivative is. The short answer is “the slope of a function at a point.”
- Be able to compute the derivative of a simple equation.

<table>
<thead>
<tr>
<th>Function</th>
<th>Derivative</th>
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<tbody>
<tr>
<td>$f(x) = 3 + 4x$</td>
<td>$f'(x) = 4$</td>
</tr>
<tr>
<td>$g(x) = x^2 - 3x + 8$</td>
<td>$g'(x) = 2x - 3$</td>
</tr>
</tbody>
</table>

- Know that the derivative of a hill shaped function is zero at its peak. If you do not understand why this is true, you probably do not understand the third point well enough.

Please note that this course is about Economics, not Mathematics. However mathematics is a very useful tool in communicating the intuitions of economics. The mathematical tools described above are not difficult, but they do take time to master. Making this investment before the course will be extremely helpful.

Office Hours/Getting Help: I will hold office hours by appointment. Email is the easiest way to get in touch with me. There is also an almost weekly review session where the TA can answer questions.
Course Schedule

Week 1: (9/26, 9/27)

What is Microeconomics?
Introduction to Supply and Demand
The Price Elasticity of Supply and Demand

Readings:
Perloff: Chapters 1, 2, & 3

Week 2: (10/3, 10/4)

Application: Malthus
Consumer Behavior and Market Demand

Readings:
Perloff: Chapters 4
The Economist, “Malthus, the false prophet.”

Week 3: (10/10, 10/11)

The Shape of the Demand Function and Consumer Surplus
Applications: How Much to Work, How Much to Save

Readings:
Perloff: Chapters 5 & 9.1

Week 4: (10/17, 10/18)

Choice Under Uncertainty

Readings:
Perloff: Chapter 17
Gary Becker, “Health Care Reform.”
Week 5: (10/24, 10/25)

MIDTERM (1st half of class)
Production and the Firm I: Economic Cost
Application: Opportunity Cost and Human Capital
Readings:
Perloff: Chapter 7
Wall Street Journal, “Apple Slips as a Result of Hoarding Chips.”
The Economist, “The MBA Cost-Benefit Analysis.”

Week 6: (10/31, 11/1)

Production and the Firm II: The Supply Function of a Competitive Firm
Readings:
Perloff: Chapters 8
Fortune, “The Real Key to Creating Wealth.”
Business Week, “Airline Takes the Marginal Route.”

Week 7: (11/7, 11/8)

Price Determination in a Competitive Industry
Public Goods, Externalities and the Coase Theorem
Perloff: Chapter 18
Gary Becker, “The Solution to Traffic Congestion.”

Week 8: (11/14, 11/15)

Monopoly
Increasing Returns
Readings:
Perloff: Chapter 11
The Economist, “The QWERTY myth.”
Week 9: (11/21, 11/22)

Application: Superstars versus Long Tails
Price Discrimination
Readings:
Perloff: Chapter 12
Telephony, “The Long Tail... And Other Business Myths.”

Week 10: (11/28, 11/29)

Oligopoly
Readings:
Perloff: Chapter 13

Week 11:

FINAL EXAMINATION
CHECK THE DATE AND TIME IN THE BOOTH COURSE GUIDE.