

ECO 3303 Microeconomic Theory

Instructor: Gábor Antal

Contact information

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Availability

After class, or by appointment

Course objectives

The course will introduce to students the economic theories of consumer and producer choice in market economies. The main goal is to equip students with a solid background in microeconomic theory and the analytical tools needed in more advanced courses. We will also discuss the limitations of current economic models and the newest directions in economic research and thinking, in particular, new developments in behavioral economics. The course should encourage students to question and investigate economic issues and models, rather than simply learning about them.

Learning outcomes

By the end of the course, students will understand the mainstream approach to optimal economic decision making, that is, the principles of maximizing some kind of objective function under the constraints represented by scarce resources. They will be familiar with the concept of economic value – with marginal value theorem, in particular –, the concept of supply and demand, and equilibrium, and the concept of economic efficiency. Since we know from the advances in psychology that rational optimization (i.e. the mainstream model of economic decision making) does not always hold in real life, students will be able to critically approach the rational paradigm, understand its limits, and be clear about decision biases and alternative decision-making processes of real human beings.

Required texts and materials

The main textbook for the course is: **Hal R. Varian, *Intermediate Microeconomics (8th edition)***, of which a reader will be available with only selected chapters that are needed for the course. Nonetheless, reading the whole textbook is advised for those students who would like to pursue a career in graduate-level economics.

Additional articles and readings may be handed out during the classes, and it is your responsibility to get them if you miss a class!

In particular, we will refer frequently to **Daniel Kahneman's book, *Thinking, Fast and Slow*** during behavioral economics classes (which is a great read and a bestseller anyway).

Further recommended online text can be found at:

www.daviddfriedman.com/Academic/Price_Theory/PThy_ToC.html

Assignments & grading

Your grade will be based on homeworks, a midterm test, an essay assignment, your active participation in classes, and the final exam.

Homework (10%): Homework assignments will be handed out in class throughout the semester, typically rather simple tasks, and short essay questions. You must complete them by the due date to get credit!

Midterm (20%): There will be a midterm test during Week 7, accounting for 30% of the final grade.

Essay (30%): Students are required to submit an essay on a behavioral economics topic, 3-5 pages in length. The essay draft will be reviewed by the instructor, and students will resubmit a final version based on the requested revisions. There will be a separate detailed guide regarding the specifications of the essay assignment.

Participation (10%): Based on attendance, effort, and your active involvement in class discussions.

Final Exam (30%): At the end of the semester, there will be a final exam covering the material of the whole term but with an emphasis on the post-midterm part. (With about 70% of the questions covering the second part of the term, and the remaining 30% covering the first half.)

Honor code

Students should be familiar with the McDaniel College Honor Code, and they are expected to adhere to it in all respects.

Course policies

Class attendance is compulsory, **unexcused absences will lower your final grade**, so please inform me of any expected absences in advance via email, and make sure you provide a formal excuse through the secretariat, if possible. **The standard McDaniel College policy imposes a penalty of a drop of one letter grade per absence following three unexcused absences.**

Preliminary semester schedule/Topics covered

(Actual progress may change during classes, in particular, topics printed in italic might not be covered!)

- Week 1 Introduction and a Market Example (Varian Ch 1)
- Week 2 The Consumer's Budget and Preferences (Varian Ch 2-3)
- Week 3 Utility (Varian Ch 4)
- Week 4 Optimal Consumption Choice (Varian Ch 5)
- Week 5 Individual Demand (Varian Ch 6)
- Week 6 Market Demand (Varian Ch 15)
- Week 7 MIDTERM**
- Week 8 Behavioral Economics (Varian Ch 30)
- Week 9 Technology and Profit Maximization (Varian Ch 18-19)
- Week 10 The Costs of Production (Varian Ch 20-21)
- Week 11 *Firm Supply (Varian Ch 22)*
- Week 12 *Industry Supply (Varian Ch 23)*
- Week 13 *Examples of Market Failures – Monopolies, Externalities, Public Goods (Varian Ch 24, 34, 36)*
- Week 14 Recap and preparation for the final exam
- Week 15 FINAL EXAM**