

**BOĞAZIÇI UNIVERSITY
DEPARTMENT OF ECONOMICS**

**EC 101.04 PRINCIPLES OF MICROECONOMICS
FALL 2011**

INSTRUCTOR: YAHYA M. MADRA
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CLASS MEETS: Tuesdays, 11:00-12:50, in NH 405 and Thursdays 11:00-11:50, in NH 401
OFFICE HOURS: Tuesdays 15:00-16:30, Wednesday 15:00-16:30 PM, or by appointment.

COURSE DESCRIPTION: The course is an introduction to a particular economic discourse: neoclassical economics. Throughout the semester, in studying the neoclassical tradition, we focus on its assumptions, its vision of the economy, its criteria for economic success and its implications for the organization of our economic livelihoods.

REQUIRED TEXTBOOK

Principles of Microeconomics (Fourth Edition), by Joseph Stiglitz and Carl Walsh. New York and London: W.W. Norton & Co., 2006. [Henceforth **SW**.]

Textbook should be available at the Bookstore. Additional readings will be handed out in class.

SUGGESTED READING

Economics: Marxian vs. Neoclassical, by Richard D. Wolff and Stephen A. Resnick. Baltimore: The Johns Hopkins University Press, 1987. [Henceforth **RW**.]

REQUIREMENTS

Exams: There will be three exams during the course:

Midterm 1: Wednesday, November 2, 17:00-18:00.

Midterm 2: Thursday, December 8, 17:00-18:00.

Final: The final exam date is announced by the Registrar's Office.

As the earlier material will be necessary for understanding the later topics, the exams will inevitably be cumulative. However, in each exam the questions will **focus primarily on** the material covered since the previous exam.

Problem Sets: I will give you several problem sets during the course. However, only one or two of them will be randomly chosen and graded. I will not announce which problem set will be graded in advance. Assignments are due at the beginning of class on the due date. Be certain to clearly note your name, the course number. If you cannot attend class on the due date, you should turn it before class. Homework submitted late will be graded, but 10 points will automatically be deducted for each day after the due date. If you disagree with the grading please write your explanations, attach the assignment and hand it to me within 48 hours. You can work with other students on assignments, this is allowed and encouraged, but each student must write up her or his own version of a solution, and everyone who collaborated must be acknowledged at the end of the homework. Identical assignments will get a score of zero.

Attendance: Note that lecture attendance is not mandatory, however it is **highly** recommended. I may take attendance on occasion during lectures. In addition, your in-class performance and participation to class discussion will matter into your final grade.

GRADING

Your final grade will consist of your exam grades, your problem sets as well as your in-class performance and attendance. Below is the list of weights of each item in defining your final letter grade from the course. These weights will not be changed under any condition.

Midterm I	25%
Midterm II	25%
Final	35%
Problem set	10%
In-class performance and Attendance	5%

Make-up Exams: Make-up exam will be available for those students who miss an exam with a valid medical excuse. In case of a failure to provide proof of medical excuse, the student will not be able to take the make-up exam.

Course Web Page: The course web page is accessible through the Economics Department's web site at www.econ.boun.edu.tr. The course web page is very important. Announcements and handouts are posted on the course web page. Be sure to follow the course web page regularly.

COURSE OUTLINE AND READINGS

1. INTRODUCTION

Difference in economics and economy. Situating neoclassical economics within the discipline of economics. **SW** Chapter 1 and Chapter 2, pp. 25-33; **RW** Chapter 1.

2. NEOCLASSICAL THEORY OF CHOICE

- Scarcity: Limited resources and unlimited wants, opportunity cost, and production possibilities frontier. **SW** Chapter 2, pp. 34-50; **RW** Chapter 2, pp. 38-41.
- Representing markets graphically. Demand, supply, and price. **SW** Chapters 3; **RW** Chapter 2, pp. 41-50.
- Elasticity. **SW** Chapter 4.
- The consumption decision I: Preferences, budget constraints and the consumer choice. **SW** Chapter 5, including the appendix; **RW** Chapter 2, pp. 50-60.
- The consumption decision II: Deriving the demand curve. **SW** Chapter 6, including the appendix; **RW** Chapter 2, pp. 50-60.

3. NEOCLASSICAL THEORY OF FIRM

- Production costs. **SW** Chapter 6, including the appendix.
- The competitive firm. **SW** Chapter 7; **RW** Chapter 2, pp. 82-85.
- Factor markets: Labor and capital. **SW** Chapters 8 & 9, including the appendices; **RW** Chapter 2, pp. 61-79.

4. MARKET EQUILIBRIUM AND EFFICIENCY

General equilibrium and pareto efficiency. **SW** Chapter 10; **RW** Chapter 2, pp. 79-82 & 85-99.

5. MARKET IMPERFECTIONS (Late Neoclassical Economics)

- Market imperfections: Market structure, information, knowledge, externalities, public goods. **SW** Chapter 11.
- Monopoly, monopsony, and monopolistic competition. **SW** Chapter 12, pp. 261-273 and the appendix.
- Oligopolies: An introduction to game theory. **SW** Chapter 12, pp. 274-285 and Chapter 14.
- Imperfect information in the product market. **SW** Chapter 15.
- Imperfections in the labor and credit markets. **SW** Chapter 16.

6. AN OVERVIEW AND ASSESSMENT

EC 101.04 TENTATIVE COURSE CALENDAR

Sept. 27, Tuesday	Introduction to the discipline and to some key ideas: scarcity, choice, technology, class,	
Sept. 29, Thursday		
Oct. 4, Tuesday	Elements of a theory of markets: Demand, supply, price	
Oct. 6, Thursday	Elasticity of demand	
Oct. 11, Tuesday	The consumption decision I	
Oct. 13, Thursday		
Oct. 18, Tuesday	The consumption decision II	
Oct. 20, Thursday		
Oct. 25, Tuesday	Production costs and Cost minimization	
Oct. 27, Thursday		
Nov. 1, Tuesday	Review	
Nov. 2, Wednesday	MIDTERM 1	
Nov. 3, Thursday	The competitive firm	
Nov. 10, Thursday	TO BE RESCHEDULED	
Nov. 15, Tuesday	The competitive firm	
Nov. 17, Thursday		
Nov. 22, Tuesday	Factor markets: Labor & capital	
Nov. 24, Thursday		
Nov. 29, Tuesday	General equilibrium & welfare economics: Perfect competition vs. market imperfections	
Dec. 1, Thursday		
Dec. 6, Tuesday	Perfect competition vs. Monopoly	
Dec. 8, Thursday	Review	
Dec. 8, Thursday	MIDTERM 2	
Dec. 13, Tuesday	Models of strategic behavior: Monopolistic competition, oligopolies	
Dec. 15, Thursday + Make up session		
Dec. 20, Tuesday	Information problems in the marketplace	
Dec. 22, Thursday		
Dec. 27, Tuesday	Comparing theories of production and distribution	
Dec.29, Thursday	Review	