Professor: Roberto Serrano, ext. 3-2764, Roberto_Serrano@brown.edu
Office hours: Mondays, 4:00 p.m. - 6:00 p.m. in Robinson Hall 104B
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1. Description of the course: Class will meet on Mondays, Tuesdays and Wednesdays from 2 to 4 pm, and the TA sections will meet on Thursdays from 2 to 3. This course will explore the decision making of economic agents (consumers and firms). It will also examine how different market mechanisms operate to allocate resources. We will begin by studying the theories of the consumer and the producer. Next we will combine both in the study of individual markets, including perfect competition, monopoly, oligopoly, etc. Following this study of individual markets, we will discuss how all markets interact in the economy and emphasize the good efficiency properties of the competitive system. The course will end with the analysis of some of the circumstances in which competitive markets fail to produce efficient allocations.

2. Prerequisites: Economics 11 or equivalent, Mathematics 9 or 10 or equivalent (univariate and ideally, multivariate calculus). Your willingness to work hard is by far the most important prerequisite.

3. Textbook: the textbook is Varian’s *Intermediate Microeconomics: a Modern Approach* (7th edition), Norton, 2005 (its previous editions would also be fine). The exercise book by Bergstrom and Varian that goes with it is recommended, as solving problems is essential in the course.

4. Grading policy: the grade of the course will be divided into 25% for weekly homework assignments, due in the TA section (five assignments at 5% each), 25% for the midterm exam (Wednesday July 12), and 50% for the final exam (Thursday August 3, at 1:30).

I hope you enjoy working hard in the course and learn a lot of microeconomics this summer.
Introduction


Part I. The theory of the consumer


Lesson 3. The budget set and the budget constraint. The consumer’s optimal choice. The individual demand function. Chapters 2 and 5 (skip 5.4).


Lesson 5. Substitution and income effects. Ordinary demand, compensated demand and aggregate demand. Elasticity. Chapters 8 (Important: 8.8, skip 8.9) and 15 (Only sections 15.1, 15.2, 15.5, 15.6).


Lesson 7. Intertemporal choice of consumption. The supply of savings. Interest rates. The inflation rate. Substitution and income effects. Present value. Chapter 10 (Skip sections 10.8 to 10.11).


Part II. The theory of the producer


Part III. Market structures: partial equilibrium

Lesson 12. Industry supply. The industry supply in the short run. The industry supply in the long run in a competitive market with free entry and exit. Producer’s surplus. Effects of taxes in the short run. Effects of taxes in the long run. The deadweight loss of a tax. Chapters 16 (Skip 16.9) and 23 (Skip 23.7, 23.8, 23.9, 23.10).

Lesson 13. Factor markets. The behavior of a competitive firm in both the output and the input markets. Monopsony. Chapter 26 (Skip Chapter!).


Lesson 15. Oligopoly. Strategic interaction and game theory. The leadership in a quantity setting (Stackelberg). Simultaneous choice of output (Cournot). Collusion. Comparison of the different models. Chapters 27 (Skip sections 27.7, 27.8, 27.9) and 28 (Look over this Chapter).

Part IV. General equilibrium


Part V. Failures of the competitive mechanism

Lesson 18. Externalities. Solutions to the problem of externalities. Chapter 34 (Skip sections 34.2, 34.6, 34.7).
