

Economics 251: Price and Allocation Theory Fall 2006

Professor Brainerd
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Office hours:
Mondays 1:30 - 3:30 pm
Tuesdays 3:00 - 4:00 pm
and by appointment

Course description: This course covers the tools and concepts of intermediate microeconomic theory. Building on the microeconomic foundations learned in introductory classes, we will develop models to analyze the decisions of consumers, the behavior of firms, and the functioning of markets. These models form the core of neoclassical economic theory, and are the basis for economic analyses of market equilibrium, efficiency, and individual and social welfare. Understanding these concepts is important for more advanced work in economics. Throughout the semester, we will build on three important concepts in economics: (1) optimization; (2) equilibrium; and (3) efficiency (or, more broadly, the desirability of equilibrium outcomes). While the course is primarily concerned with economic theory, we will also use the tools and concepts that we develop to analyze a variety of issues of current economic and policy interest.

Prerequisites: Economics 110 and Math 103 (or its equivalent)

Textbook: The primary text for the course is Edwin Mansfield and Gary Yohe, *Microeconomics* (11th edition), which is available from the book store. Additional outside readings and supplemental textbook chapters may be assigned during the semester.

Course website: Announcements, problem sets and other class materials will be posted on the course website at <http://www.williams.edu/go/blackboard>.

Class meetings: We will meet on Mondays and Wednesdays each week, with Fridays reserved for make-up class(es) if necessary. In addition, your TA will schedule weekly office hours that you should use to discuss problem sets, answer questions, and review the week's work.

Grading: Your course grade will be determined according to the following weighting scheme:

Problem sets	10%
Midterm 1 (Wednesday Oct. 4)	25%
Midterm 2 (Wednesday Nov. 8)	25%
Cumulative final exam (scheduled)	40%

All exams will be graded name-blind. *To reward improvement, if your final exam grade is higher than either of your midterm grades, the weight on your lowest midterm will be reduced to 15% and the weight on the final will be increased to 50%.*

Problem sets: Problem sets will be due every Wednesday in class, except in weeks in which a midterm exam is scheduled. A schedule of due dates is given below. I encourage you to work in groups on the problem sets. However, if you work out an answer as part of a study group, be sure you understand exactly how to arrive at the answer. Once you have worked out an answer, you are responsible for writing up the problem set on your own. It is a violation of the Honor Code to copy another student's problem set. The problem sets will be graded by your TA on a check, check plus, check minus scale. Although the problem sets count for only 10% of your grade, completing and understanding them will be crucial to your success on the exams. Late problem sets will not be accepted. However, only the best 7 problem set grades will be counted in determining your final grade. *Thus, you can miss up to 2 problem sets for any reason without any penalty.*

Attendance and class participation: With the exception of the optional review sessions held before each exam, you are expected to attend class and to participate in class. Although attendance and participation do not formally contribute to your grade, they will be taken into account in determining 'borderline' grades. Note that if you miss an examination for a medical reason, you must provide me with a written note from a doctor confirming the illness.

Academic honesty: The Honor Code applies to all work submitted and exams taken in this class. You are encouraged to collaborate on the problem sets; as noted above, however, the work you turn in should be written up independently. You may also collaborate in studying for the exams, but the written work must be your work alone.

PROBLEM SET SCHEDULE		
Problem set #	Date distributed:	Date due:
1	Wednesday, Sept. 13	Wednesday, Sept. 20
2	Wednesday, Sept. 20	Wednesday, Sept. 27
3	Wednesday, Oct. 4	Wednesday, October 11
4	Wednesday, Oct. 11	Wednesday, Oct. 18
5	Wednesday, Oct. 18	Wednesday, Oct. 25
6	Wednesday, Oct. 25	Wednesday, Nov. 1
7	Wednesday, Nov. 8	Wednesday, Nov. 15
8	Monday, Nov. 20	Wednesday, Nov. 27
9	Wednesday, Nov. 27	Wednesday, Dec. 6

I. Introduction (Sept. 8)

A. Introduction to the course: thinking like an economist

Mansfield, Ch. 1, pp. 3 - 8

B. Review of supply and demand

Mansfield, Ch. 1, pp. 9 - 25

II. Consumer behavior

A. Consumer choice (Sept. 11, Sept. 13)

Mansfield, Ch. 2 and Calculus Appendix

B. Consumer behavior and individual demand (Sept. 18)

Mansfield, Ch. 3 and Calculus Appendix

C. Market demand and elasticities; applications of consumer theory (Sept. 20, Sept. 25)

Mansfield, Ch. 4 and Calculus Appendix

D. Choice under uncertainty (Sept. 25, Sept. 27)

Mansfield, Ch. 5 and Calculus Appendix

III. Theory of the firm and market structure

A. Production (Oct. 2, Oct. 11)

Mansfield, Ch. 6 and Calculus Appendix

FIRST MIDTERM: WEDNESDAY OCTOBER 4

B. Costs (Oct.16, Oct. 18)

Mansfield, Ch. 7 and Calculus Appendix

C. Perfect competition (Oct. 23, Oct. 25)

Mansfield, Ch. 8 (and Calculus Appendix) and Ch. 9

D. Monopoly and price discrimination (Oct. 30, Nov. 1)

Mansfield, Ch. 10 and Calculus Appendix

SECOND MIDTERM: WEDNESDAY NOVEMBER 8

E. Oligopoly and game theory (Nov. 6, Nov. 13)

Mansfield, Ch. 12

F. Strategic competition (Nov. 15)

Mansfield, Ch. 13

IV. Factor markets

A. Labor (Nov. 20)

Mansfield, Ch. 14

V. General equilibrium and market failure

A. General equilibrium and market efficiency (Nov. 27)

Mansfield, Ch. 16

B. Asymmetric information (Nov. 29)

Mansfield, Ch. 17

C. Externalities and public goods (Dec. 4)

Mansfield, Ch. 18

Dec. 6: Catch-up