

**Brooklyn College Economics Department**  
**Intermediate Microeconomics (Econ 3202 & Econ7000X) - Spring 2014**  
**Wednesdays, 6:30pm to 8:10pm**  
**Classroom: BH-3150 (Boylan Hall)**

**Instructor:** Markus Gehrsitz (mgehrsitz@gc.cuny.edu)

**Course Description:** Microeconomics is concerned with individual decisions and the allocation of resources under scarcity. These actions usually take place in a market context. This course will be concerned with the two major actors in a market: consumers and firms.

The first part of this course is about consumer behavior. The core principle of optimization will be introduced. For consumers, this powerful economic principle suggests that consumers maximize their utility given their budget. The second part of this course is devoted to the theory of the firm. For firms, the principle of optimization relates to profit maximization and cost minimization. In the third part, consumers and firms are brought together in markets. Students will see that under certain circumstances, free markets will lead to optimal outcomes. But we will also encounter situations in which markets might not lead to efficient or desirable outcomes, and government intervention might improve welfare. The issues of market power, externalities, public goods, and information asymmetry will be discussed.

This class is designed for two groups of students: upper level undergraduate students in business and economics, and Master level students in their first year. All concepts will be explained in a manner that is accessible to both groups. The main difference to a principles class is that we will not just build economic intuition, but also use a fair amount of calculus to conduct precise analyzes of economic behavior.

**Learning Objectives: By the end of the semester, you should be able to...**

- Apply calculus to optimization problems such as consumer utility and profit maximization.
- Distinguish between substitution and income effects and their consequences on consumer behavior.
- Evaluate the effect of different cost structures and technologies on the profit of a firm.
- Understand how different market setups affect profit maximization and economy-wide welfare.
- Identify market structures where government intervention might improve market outcomes, as opposed to situations in which markets are efficient.
- Have the mindset of an economist: Think at the margin; weigh *all* costs against *all* benefits; anticipate unintended consequences.

**Required Textbook:** The class is built on *Intermediate Microeconomics - A Modern Approach* by Hal R. Varian. W. W. Norton & Company. 2009, 8th edition. You should be able to use earlier editions of the book, but I recommend to not go any further back than the fifth edition. There is also a 9th edition of the book coming out in February 2014.

**More Advanced Textbooks:** If you would like to learn more about microeconomics, I recommend two graduate level books which are the staple of first year PhD level classes. The first is *Microeconomic Analysis* also by Hal Varian. The second is *Microeconomic Theory* by Andreu Mas-Colell, Michael Whinston, and Jerry Green. You will not need these books for this course.

**Course schedule:** The schedule of topics below is approximate and may change

Date	Topic	Chapter
<i>Consumer Behavior</i>		
Wed, Jan 29	Introduction and Math Review	
Wed, Feb 5	Basics of Consumer Theory <ul style="list-style-type: none"> <li>• Budget Constraints</li> <li>• Preferences</li> <li>• Utility Maximization</li> <li>• Choices</li> </ul>	2,3,4,5
Wed, Feb 12	<i>No Class (Lincoln's Birthday)</i>	
Wed, Feb 19	Demand for Goods and Comparative Statics <ul style="list-style-type: none"> <li>• Normal and Inferior Goods</li> <li>• Substitutes and Complements</li> <li>• Demand Curves</li> <li>• Substitution and Income Effects</li> <li>• Compensated Demand Curves</li> </ul>	6,8
Wed, Feb 26	Consumer Demand and Market Demand <ul style="list-style-type: none"> <li>• Consumer's Surplus and Producer's Surplus</li> <li>• Inverse Demand Function</li> <li>• Elasticity of Demand</li> </ul>	14,15
Wed, Mar 5	<i>Midterm 1</i>	
<i>Theory of the Firm</i>		
Wed, Mar 12	Technology and Profit Maximization <ul style="list-style-type: none"> <li>• Marginal Product</li> <li>• Technical Rate of Substitution</li> <li>• Returns to Scale</li> <li>• Short-Run vs. Long-Run Profit Maximization</li> </ul>	18,19
Wed, Mar 19	Costs <ul style="list-style-type: none"> <li>• Cost-Minimization</li> </ul>	20,21

	<ul style="list-style-type: none"> <li>• Fixed vs. variable costs</li> <li>• marginal, average, and sunk costs</li> </ul>	
Wed, Mar 26	Firm and Industry Supply	22,23
	<ul style="list-style-type: none"> <li>• Perfect Competition</li> <li>• Consumer Surplus</li> <li>• Long-run and short run supply</li> </ul>	
Wed, Apr 2	<i>Midterm 2</i>	
	<i>Welfare, Government and Market Failure</i>	
Wed, Apr 9	Equilibrium and Welfare	16
	<ul style="list-style-type: none"> <li>• Interaction of Supply and Demand</li> <li>• Pareto-efficiency</li> <li>• Deadweight Loss of a Tax</li> </ul>	
Wed, Apr 16	<i>No Class (Spring Break)</i>	
Wed, Apr 23	Non-Competitive Markets	24, 25, 27
	<ul style="list-style-type: none"> <li>• Monopoly</li> <li>• Duopoly, Oligopoly</li> <li>• Collusion</li> </ul>	
Wed, Apr 30	Market Failure I	32,35
	<ul style="list-style-type: none"> <li>• Externalities</li> <li>• Public Goods</li> </ul>	
Wed, May 7	Market Failure II	36
	<ul style="list-style-type: none"> <li>• Asymmetric Information</li> <li>• Moral Hazard and Adverse Selection</li> <li>• Signaling and Screening</li> </ul>	
Wed, May 14	Review and Time Permitting: Big Data	
Wed, May 21	<i>Final Exam during the normal class period</i>	

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**Grading policy:** Students will be graded on a curve.

Course grades will be determined by:

Item	Percent
Homework & Class Participation	10%
Midterm 1	30%
Midterm 2	30%
Final Exam	30%

**Midterm / Final Exam policy:** Each midterm will cover the material presented in the classes prior to the midterm. The second midterm is not cumulative, except to the degree that the topics naturally build on one another. The final exam is also not cumulative, but builds even more on the topics covered in previous sessions.

If you know in advance that you will have a scheduling conflict with any of the exam dates - due to religious beliefs, scheduled medical procedures, or other reasons - please

see me on the day of the first class on January 29th. Unless scheduled in advance, no make-up exam will be provided for the midterms or the final, except in the case of an emergency, documented with either a doctor's note or a letter from Brooklyn College.

**Attendance policy:** I will not make any roll calls, but attendance in class is strongly recommended.

**Homework policy:** Problem sets will be posted on blackboard periodically, and collected on the due dates indicated. Homework is graded on a check-plus (all correct), check (not all correct, but decent attempt) and check-minus (insufficient) basis. Please submit your homework at the beginning of class. You can also e-mail me your homework, but this is on your own risk, if for whatever reason, I do not receive it on time, no credit will be given. No credit will be given to late submissions, solutions will be posted on blackboard.

**Prerequisites:** Many students ask why they should know math when they want to study business or economics. The reason is that math and economics are directly interconnected. Microeconomics is very concerned with optimization problems, and the best tool for studying optimization problems turns out to be calculus. Therefore, a good understanding of calculus is vital for this class. There are two things in particular, that you must be proficient in, in order to succeed in this class: You should know how to solve linear equations and how to take the derivative of a function. There will be a short math test on the first day of class. The test will not affect your grade. It is merely intended as a screening tool to assess the level of math proficiency in the class. Depending on your results I will allocate time between building economic and mathematical intuition. Ideally, you have also taken a principles of economics class.

**Office hours and communication:** Office hours are held after class and by appointment. Note that I am only on campus Wednesdays and Saturdays. Outside of class, e-mail is my preferred way of communication. My email-address is [mgehrsitz@gc.cuny.edu](mailto:mgehrsitz@gc.cuny.edu). Please insert the course code into the subject; I also teach a principles of microeconomics class, so inserting the course code will help prevent any misunderstandings. Any questions related to the class may be asked; if your question is relevant to other students in the class, I will 'cc' all students.

**Blackboard:** Homework assignments, solutions, class slides, and other supplemental course materials are posted on Blackboard. I will try to have the lecture notes up at least one day before class. It is your responsibility to get Blackboard access and check for updates on a regular basis.

**Important Dates from the Registrar's Office:**

- Friday, February 7: Last day to file Pass/Fail application
- Friday, February 18: Last day to drop a course without a grade
- Friday, March 14: Last day to file for Spring 2012 Graduation
- Thursday, April 24: Last day to apply for withdrawal (i.e., W grade) from courses

**City University's policy on Academic Integrity:** The faculty and administration of Brooklyn College support an environment free from cheating and plagiarism. Each student is responsible for being aware of what constitutes cheating and plagiarism and for avoiding both. The complete text of the CUNY Academic Integrity Policy and the Brooklyn College procedure for implementing that policy can be found at this site: <http://www.brooklyn.cuny.edu/bc/policies>. If a faculty member suspects a violation of academic integrity and, upon investigation, confirms that violation, or if the student admits the violation, the faculty member **MUST** report the violation.

**Students with Disabilities:** In order to receive disability-related academic accommodations students must first be registered with the Center for Student Disability Services. Students who have a documented disability or suspect they may have a disability are invited to set up an appointment with the Director of the Center for Student Disability Services, Ms. Valerie Stewart-Lovell at 718-951-5538. If you have already registered with the Center for Student Disability Services please provide me with the course accommodation form and discuss your specific accommodation with me.