

INTERMEDIATE MICRO – ECONOMICS

1. Texts: You will receive a customized **electronic textbook – a set of Study Chapters 1-20**
– posted on Blackboard during the term

This customized text directly relates to class lectures and to the actual questions that will be on the midterm and final exams.

Also two optional (*not required*) texts for your additional reference:

Microeconomics & Behavior by Robert Frank, and *Experimental Economics* by Holt & Davis

2. Goals & Requirements: This course will give an introduction to intermediate microeconomic analysis of individuals involved in market trading within a larger exchange economy. After the midterm, we will also give an introduction to experimental markets. Several problem sets will be given to provide practice and key concepts and feedback on students' understanding. A midterm will be given at the middle of the term. A comprehensive final exam will also be given. I suggest students have some background in probability & statistics, because certain topics will use probability concepts more extensively.
3. Customized problem sets will be posted on Blackboard. They are intended to give practice on key principles, as well as a helpful study guide to help you prepare for the midterm and final exams. These problem sets are not individually graded. Instead, if your answers to the problem sets are all submitted to blackboard by the end of the term, then you will receive 10% for completing all of them. The questions on these problem sets are customized to help you prepare for actual exam questions on both the midterm and final.
4. Tests & Final Grade for the class: As just indicated, problem sets will be worth 10% of the final grade. The midterm and final exams are worth 40% and 50% respectively. However, if your final exam score exceeds your midterm score by at least 10%, then the final exam will be weighted 70% of the total grade; so the weights for midterm and problem sets are then 20% and 10% respectively.

Your grade is based on the weighted average at the end of the term. A 95-100, A- 90 up to 95; B+ 87 up to 90, B 84 up to 87, B- 80 up to 84; C grades (same as B grades, except from 70 up to 80); D grades (same as B grades, except from 60 up to 70), grade failure below 60.

Topic Outline

Topics

Fairly apportioning the government income tax burden among citizens. Government debt by using the Federal Reserve to legally create electronic money from nothing.

Basic supply and demand theory: introduction and review, effects of government price controls, Calculating market equilibrium with linear equations, and application to government sales taxes and subsidies.

Optimal consumer theory: preference assumptions and budget constraints

Income and substitution effects, theorems about when the law of demand versus “Giffen Goods” or positively sloped demand curves can happen.
Experimental testing of “Giffen Good” predictions. Application to government choice and the voter’s paradox

Bayes Rule and Decisions with uncertainty: application to jury decisions to convict or not [application to the O. J. Simpson criminal and civil trials].

Week 4: Thursday, June 10

Midterm

Introduction to Experimental Markets

Compare different trading rules or “institutions”, further analysis of posted offer versus double auction institutions, experimental procedures with unit cost and unit value schedules, calculation of theoretical market supply & demand functions and competitive market equilibria

Double auction experiments with 6 buyers & sellers, comparison of double auction and posted offer markets with two or more sellers, and with only one monopoly seller,

Looser pay winner auction experiment

Application to influencing government, plus application to war & conquest in history, English colonies & formation of United States, recent events about the “war on terrorism”.

Final Exam