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# ECON 612

Microeconomic Theory II

Department of Economics, George Mason University

Spring 2022

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Instructor: Prof. Vincent Geloso

Contact: [vgeloso@gmu.edu](mailto:vgeloso@gmu.edu)

Class meetings: Tuesday 7:20pm – 10:00pm (Van Metre Hall)

Office hours: By appointment on Mondays via Zoom

**Course description:** The course will provide an introduction to microeconomic theory at the graduate level and will cover basic topics in the theory of the consumer and the producer, market institutions, perfect and imperfect competition, monopoly, general equilibrium, market failures and the economics of information. Students are expected to master basic tools of calculus (up to constrained maximization), comparative statics and linear algebra. The course will take an applied path as well as each element of theory will be illustrated with examples from economic history or current economic events.

**Textbooks:** You have to buy both textbooks as I am not fond of using only one textbook for our purposes as they will cover too little.

1. Mochrie, R. (2017). *Intermediate microeconomics*. Bloomsbury Publishing. [Link here](#).
2. Hirshleifer, J., Glazer, A., & Hirshleifer, D. (2005). *Price theory and applications: decisions, markets, and information*. Cambridge University Press. [Link here](#).

**Additional readings:** There are additional readings each unit to understand the “applied” portion of the class. Whether one has made these readings will determine grades for class participation.

**Grading scheme:** Homeworks (4 at 5% each); Take-home midterm (30%); Take-home final (40%); Class participation (10%).

**Class rules:**

1. All content will be synchronous and we will meet in person
2. Cell phones and other communicative devices are not to be used during class. Please keep them stowed away and out of sight. Laptops or tablets are permitted for the purpose of taking notes. Engaging in activities not related to the course (e.g., gaming, email, chat, etc.) will result in a dramatically reduced participation grade.
3. I provide summary slides of what I say in class. I do not provide fully annotated slides (i.e. where all the proofs are done).
4. I will randomly pick students to explain the papers or chapters that had to be read that week. This will go towards your participation grade.
5. Any rude behavior between students will be punished by docked points in your participation grade.

**Important dates:**

Assignment	Date handed	Date returned
Homework 1	After Math Review Unit Completed	One week after being handed
Homework 2	After Units 1, 2, and 3 are completed	One week after being handed
Homework 3	After Units 4, 5, 6, and 7 are completed	One week after being handed
Homework 4	After Units 8, 9, 10 are completed	One week after being handed
Midterm	After Unit 6 is completed	48 hours after being handed, you will receive a week's notice for when the exam will be handed
Final exam	Monday May 9 <sup>th</sup> 2022 at noon	Thursday May 12 <sup>th</sup> at noon

**Academic Honesty and Code:** It is expected that students adhere to the George Mason University Honor Code as it relates to integrity regarding coursework and grades. The Honor Code reads as follows: To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University community and with the desire for greater academic and personal achievement, we, the student members of the University Community have set forth this: Student members of the George Mason University community pledge not to cheat, plagiarize, steal and/or lie in matters related to academic work.

More information about the Honor Code, including definitions of cheating, lying, and plagiarism, can be found at the Office of Academic Integrity website at <http://oai.gmu.edu>

**Disability Services:** Disability Services at George Mason University is committed to upholding the letter and spirit of the laws that ensure equal treatment of people with disabilities. Under the administration of University Life, Disability Services implements and coordinates reasonable accommodations and disability-related services that afford equal access to university programs and activities. Students can begin the registration process with Disability Services at any time during their enrollment at George Mason University. If you are seeking accommodations, please visit <http://ds.gmu.edu/> for detailed information about the Disability Services registration process. Disability Services is located in Student Union Building I (SUB I), Suite 2500. Email: [ods@gmu.edu](mailto:ods@gmu.edu) | Phone: (703) 993-2474

**Safe Return to Campus Statement:** All students taking this course are required to follow the university's public health and safety precautions and procedures outlined on the university Safe Return to Campus webpage (<https://www2.gmu.edu/safe-return-campus>). Similarly, all students in face-to-face and hybrid courses must also complete the Mason COVID Health Check daily, seven days a week. The COVID Health Check system uses a color code system and students will receive either a Green, Yellow, Red, or Blue email response. Only students who receive a "green" notification are permitted to attend courses with a face-to-face component. If you suspect that you are sick or have

been directed to self-isolate, please quarantine or get testing. Faculty are allowed to ask you to show them that you have received a Green email and are thereby permitted to be in class.

Students are required to follow Mason's current policy about facemask-wearing. As of August 11, 2021, all community members are required to wear a facemask in all indoor settings, including classrooms. An appropriate facemask must cover your nose and mouth at all times in our classroom. If this policy changes, you will be informed; however, students who prefer to wear masks either temporarily or consistently will always be welcome in the classroom.

**Campus Closure or Emergency Class Cancellation/Adjustment Policy:** If the campus closes, or if a class meeting needs to be canceled or adjusted due to weather or other concern, students should check Blackboard for updates on how to continue learning and for information about any changes to events or assignments. Moreover, if a picture of Grumpy Cat is sent to me, a free point will be dispensed to the student conditional on less than half the class sending me the picture.

**Expected Classroom Behavior:** A good learning environment is based upon respect for people regardless of their differences. All class members are expected to engage with others with respect and generosity. Lack of respect for classmates will result in penalties (see class rules).

**Course outline:**

Unit	Chapters	Additional reading (useful to understand the “applied” portion of every unit)
Prep Unit: Math Review	Handout	Notes: A brief review of sets, calculus rules, linear algebra elements, comparative statics necessary for this class.
Unit 1: Optimizing Behavior and Rationality	Section 2.2. in HGH (2005)	Newhard, J. M. (2014). The stock market speaks: How Dr. Alchian learned to build the bomb. <i>Journal of Corporate Finance</i> , 27, 116-132; Geloso, V., Hinton, M., & Kufenko, V. (2017). The equally “bad” French and English farmers of Quebec: New TFP measures from the 1831 census. <i>Historical Methods</i> , 50(3), 170-189; Geloso, Vincent. (2021). <i>The History of Work and the Myth of a Leisurely Past</i> . Economic Writing Everyday. ( <a href="https://economistwritingeveryday.com/2021/11/07/the-history-of-work-and-the-myth-of-a-leisurely-past/">https://economistwritingeveryday.com/2021/11/07/the-history-of-work-and-the-myth-of-a-leisurely-past/</a> )
Unit 2: Preferences, Utility, Constraints and Optimization	Chapters 3 to 6 in Mochrie and Chapter 3 in HGH	Ekelund Jr, R. B., & Thornton, M. (1992). The Union Blockade and Demoralization of the South: Relative Prices in the Confederacy. <i>Social Science Quarterly</i> , 73(4), 890-902; Alchian, A. A. (1953). The meaning of utility measurement. <i>The American Economic Review</i> , 43(1), 26-50; Stigler, G. J. (1945). The cost of subsistence. <i>Journal of Farm Economics</i> , 27(2), 303-314 ( <a href="#">youtube summary here</a> ); Zegarra, L. F. (2021). Living costs and welfare ratios in Western Europe: new estimates using a linear programming model. <i>European Review of Economic History</i> .
Unit 3: Demand, Duality, Elasticities, Slutsky Equation, Price Indexes	Chapters 4 and 5 in HGH or chapters 7 and 8 in Mochrie	Clark, G., Huberman, M., & Lindert, P. H. (1995). A British food puzzle, 1770–1850 1. <i>The Economic History Review</i> , 48(2), 215-237; Ippolito, R. A. (1975). The Effect of the " Agricultural Depression" on Industrial Demand in England: 1730-1750. <i>Economica</i> , 42(167), 298-312; Ridolfi, L., & Nuvolari, A. (2021). L'histoire immobile? A reappraisal of French economic growth using the demand-side approach, 1280–1850. <i>European Review of Economic History</i> , 25(3), 405-428.
Unit 4: Cost and Production	Chapters 10 to 12 in Mochrie	David, P. A. (1973). The “Horndal effect” in Lowell, 1834–1856: A short-run learning curve for integrated cotton textile mills. <i>Explorations in Economic History</i> , 10(2), 131-150; Geloso, Vincent (2022). Elasticity of Substitution or Why Simple Tools Teach Us Tons ( <a href="#">blog post link here</a> ); Geloso, Vincent (2021). <i>Unenlightened Peasants? Farming Techniques among French-Canadians, circa 1851</i> . Working Paper available online at: <a href="https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3994002">https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3994002</a>
Unit 5: Competition and Monopoly	Chapters 13 to 15 in Mochrie or chapters 7 and 8 in HGH	Ommer, Rosemary. (1981). " All the Fish of the Post": Resource Property Rights and Development in a Nineteenth-Century Inshore Fishery. <i>Acadiensis</i> , 10(2), 107-123; Harberger, A. C. (1954). Monopoly and resource allocation. <i>The American Economic Review</i> , 44(2), 77-87; Lopez, R. A., & Pagoulatos, E. (1994). Rent seeking and the welfare cost of trade barriers. <i>Public Choice</i> , 79(1-2), 149-160; Fogel, R. W., & Engerman, S. L. (1969). A model for the explanation of industrial expansion during the nineteenth century: With an application to the american iron industry. <i>Journal of Political Economy</i> , 77(3), 306-328; North, D. C. (1968). Sources of productivity change in ocean shipping, 1600-1850. <i>Journal of Political Economy</i> , 76(5), 953-970.
Unit 6: Monopolistic Competition and Product Differentiation (with a digression on quality of products)	Chapter 9 in HGH and section 29.1 in Mochrie	Tanguay, G., Vallee, L., & Lanoie, P. (1995). Shopping Hours and Price Levels in the Retailing Industry: A Theoretical and Empirical Analysis. <i>Economic Inquiry</i> , 33(3), 516-524; Vincent Geloso. 2021. <i>Car Prices and Quality</i> . Blog post available at

		<a href="https://economistwritingeveryday.com/2021/12/12/car-prices-and-quality/">https://economistwritingeveryday.com/2021/12/12/car-prices-and-quality/</a> ; Scanned pages from Hoy et al. (2005)
Unit 7: Collusion and Cartels	Chapter 10 in HGH and chapter 17 in Mochrie	Troesken, W. (1998). Exclusive dealing and the Whiskey Trust, 1890–1895. <i>The Journal of Economic History</i> , 58(3), 755-778; Geloso, V. (2020). Collusion and combines in Canada, 1880–1890. <i>Scandinavian Economic History Review</i> , 68(1), 66-84; DeLorme, C. D., Frame, W. S., & Kamerschen, D. R. (1997). Empirical evidence on a special-interest-group perspective to antitrust. <i>Public Choice</i> , 92(3), 317-335.
Unit 8: Factors Market	Chapters 12 and 13 in HGH	Mancall, P. C., Rosenbloom, J. L., & Weiss, T. (2001). Slave prices and the South Carolina economy, 1722–1809. <i>The Journal of Economic History</i> , 61(3), 616-639; Hummel, J. (2012). Deadweight Loss and the American Civil War: The Political Economy of Slavery, Secession, and Emancipation. <i>Secession, and Emancipation (October 1, 2012)</i> use Chapter 3.
Unit 9: Equilibrium	Chapter 20 in Mochrie or chapter 14 in HGH	James, J. A., & Skinner, J. S. (1985). The resolution of the labor-scarcity paradox. <i>The Journal of Economic History</i> , 45(3), 513-540; Williamson, J. G. (1990). The impact of the Corn Laws just prior to repeal. <i>Explorations in Economic History</i> , 27(2), 123-156; Ward, T. (2004). The Corn Laws and English wheat prices, 1815–1846. <i>Atlantic economic Journal</i> , 32(3), 245-255.
Unit 10: Market Failures	Chapter 16 in HGH	Candela, R. A., & Geloso, V. (2019). Why consider the lighthouse a public good?. <i>International Review of Law and Economics</i> , 60, 105852; Candela, R. A., & Geloso, V. (2019). Coase and transaction costs reconsidered: the case of the English lighthouse system. <i>European Journal of Law and Economics</i> , 48(3), 331-349; Cheung, S. N. (1973). The fable of the bees: An economic investigation. <i>The Journal of Law and Economics</i> , 16(1), 11-33.
Unit 11: Government Failures	Section 17.1 in HGH	Callais, J. T., & Geloso, V. (2020). The Political Economy of Lighthouses in Antebellum America. <i>Available at SSRN</i> ; Wright, G. (1974). The Political Economy of New Deal Spending: An Econometric Analysis. <i>Review of Economics and Statistics</i> , 56(1), 30-38; Bailey, M., & Duquette, N. (2014). How Johnson Fought the War on Poverty: The Economics and Politics of Funding at the Office of Economic Opportunity. <i>The Journal of Economic History</i> , 74(2), 351-388; March, R. J., & Geloso, V. (2020). Gordon Tullock meets Phineas Gage: The political economy of lobotomies in the United States. <i>Research Policy</i> , 49(1), 103872; Geloso, V., & March, R. J. (2021). Rent seeking for madness: the political economy of mental asylums in the United States, 1870 to 1910. <i>Public Choice</i> , 1-30; Rucker, R. R., Thurman, W. N., & Burgett, M. (2019). Colony collapse and the consequences of bee disease: market adaptation to environmental change. <i>Journal of the Association of Environmental and Resource Economists</i> , 6(5), 927-960.

Note: If we are pressed for time, units 10 and 11 will be merged.