This is a course in microeconomic theory for Masters students. Microeconomics is the study of individual agents (corporations, households, workers, farmers, and shopkeepers) in the market economy. Market theory is developed as the combination of theories about consumers, workers and firms, all in equilibrium. We also examine practical application and real world illustrations with imperfectly competitive business situations. My course goal is to teach you to think like an economist. The application of theory to new situations is emphasized in the assignments and exams.


We begin with the assumption that students have studied economic principles to the level of supply and demand schedules and differential calculus to the level of maximization of functions of two variables.

The grading scheme is:

- Homework assignments 30%
- Midterm examination (October 19th 6:00 - 8:00 pm) 30%
- Final examination (December 14th 6:00 - 8:00 pm) 40%

The exam must be taken at the scheduled time. Late papers lose points.

**Topic Outline**

1. **Introduction**
   - scarcity
   - marginalist thinking
   - constrained optimization
   *Nicholson and Snyder: chapters 1, 2*

2. **Choice and demand**
   - demand schedules
   - supply schedules
   - market equilibrium
   - elasticity theory
   - utility functions and indifference curves
   - utility maximizing equilibrium
   - derivation of market demand curves
   *Nicholson and Snyder: chapters 3-5*

3. **Production and supply**
   - isoquants and production functions
   - deriving cost curves
   - deriving output supply and input demand functions
   - economies of scale
   *Nicholson and Snyder: chapters 9-11 and 16*

4. **Perfect competition**
   - short run profit maximum
market supply curves
long run competitive equilibrium
welfare analysis applied to taxation and tariffs
Nicholson and Snyder: chapters 12 and 13

5. Monopoly
   economic efficiency: competition vs. monopoly
   welfare analysis applied to monopoly regulation
   price discrimination
Nicholson and Snyder: chapter 14

6. Imperfect markets
   game theory and the Nash equilibrium
   Cournot, Bertrand and Stackelberg duopolies
   strategic substitutes and compliments
Nicholson and Snyder: chapters 8 and 15

7. Review and conclusion
   demand from consumption theory
   supply from production theory
   market equilibrium analysis