

Economics 5315
Microeconomic Theory

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Required Textbooks:

Samuelson, William F. and Stephen G. Marks. *Managerial Economics*, 4th edition, John Wiley & Sons: New York, New York: 2003.

Landsburg, Steven E. *The Armchair Economist (Economics and Everyday Life)*. Free Press: New York: 1993.

Supplemental readings (for those with time and interest, or who want alternate explanations)

Friedman, David. *Hidden Order, The Economics of Everyday Life*. Harper Collins: New York, New York: 1996.

Kuhn, Harold W. and Sylvia Nasar. *The Essential John Nash*. Princeton University Press: Princeton, New Jersey: 2002.

Attendance policy:

I assume that you are here voluntarily, and that you therefore will make every effort to attend every session. I also recognize that there are inescapable job responsibilities that may preclude attendance at one or more class sessions. Attendance penalties are therefore restricted to the following: each four-hour class session earns one percent of your course grade in stickers. Further, Baylor requires that any student that misses more than 25% of the regularly scheduled class periods cannot receive credit for the course. If you will miss more than three of the regularly-scheduled four hour sessions, please see me concerning special make-up arrangements.

Grading policy:

Grades will be determined by your performance on a single, comprehensive final exam, according to the standard 10-point scale (90+ is an "A," 80-89.99 is a "B," etc. In order to lessen the pressure on the final exam, you will have the opportunity to earn bonus points (stickers!). The stickers can be placed on the final exam in lieu of answering specific questions. There will be some questions on the exam that cannot be "stickered." In addition to the points listed under the attendance policy, for up to 10% of your grade on the final, stickers can be accrued by: winning either of the economic experiments (2%

each), an anticipated four quizzes over homework problems (roughly 10% of the final points each), and 10% for a special assignment explained later in the course. The special assignment is a choice project, involving data from your firm, if you have appropriate access, or an analysis of a classic article by Ragnar Frisch.

Syllabus

In the following syllabus, “Text” refers to the book by Samuelson and Marks; “Armchair” refers to the book by Landsburg.

Before October 18, 2003

Read Armchair, chapters 1, 2, 23. Read Text, p. 15 to the end of chapter 1. Assignment 1 has some helpful suggestions for the readings.

On October 18, 2003

“Where do I look?”

Class discussion highlighting material from assignments

Information sheets and mathematics check

Experiments on supply, demand, and equilibrium.

Lecture over Text, Chapter 2, including the appendices

Review of calculus

Goal is to find the minimum and maximum of some functions

Include multivariate functions and constrained maximization

Spreadsheets

On October 31, 2003

Lecture on Text, Chapter 3; including the first appendix

Focus on elasticity

Experiment on tax incidence

Armchair, chapter 13: grocery stores and utility theory

Text, Chapter 6 Production

Short run, long run,

marginal product,

Law of Diminishing returns,

marginal revenue product,

returns to scale,

lowest cost of production,

Isoquants

Ragnar Frisch

November 14, 2003

Text, Chapter 7 Cost

Opportunity cost

Economic profit

Sunk and fixed costs

SR costs

ATC

AVC

MC

LR costs

Minimum efficient scale

Economies of scale/scope

Learning curve

Shut-down rule; single v. multiple products

Armchair, chapter 7 before class

Text, Chapter 8 Perfect competition

Equilibrium in detail

Define perfect competition

Market efficiency: the Holy Grail

Consumer surplus, and national health insurance

Armchair, chapter 8

December 5, 2003

Text Chapter 9 Monopoly

Model

Deadweight Loss

Cartels

Natural monopoly

Monopolistic competition

Armchair, chapter 16 (popcorn), and 17 (dating)

“Price discrimination works only if there exists a monopoly of the appropriate kind.”

Text Chapter 10 Oligopoly

Concentration ratios

Q competition

Price wars and prisoner’s dilemma

Advertising, bundling and tying contracts

Text Chapter 11 Game Theory

Payoff tables

Dominant strategy

Market share competition

Zero Sum Games

Mixed strategies (from the appendix)

Competitive strategy

Bargaining

Sequential competition

Repeated competition and Tit-for-tat

December 12, 2003

Armchair, Chapter 6 and 14 Regulation, Public Goods, and Cost-benefit analysis

Armchair, Chapter 3 on Asymmetric information

Text Chapter 15 Asymmetric Information and Organizational Design

Lemons – article by Akerlof

Signaling – article by Spence

Principal-agent and moral hazard

Separation of ownership and control