Yale University
Department of Economics

ECONOMICS S115E
INTRODUCTION TO MICROECONOMICS
(ONLINE)

SYLLABUS

Summer A & B 2018   Tolga Koker
Tuesdays & Thursdays   E-Mail: tolga.koker@yale.edu
10:00-11:30 am (EDT)   TA: TBA
TA Sessions (Optional): Fridays 10-11 am (EDT)   E-Mail: TBA

COURSE DESCRIPTION

The objective of this course is to develop the main methods of systematic economic reasoning. Topics covered in the course will include the theories of consumer behavior; the economics of uncertainty and information; theories of the firm and market structure; and selected topics in general equilibrium and welfare economics. Although quite a few numbers of economic models and their applications will be discussed in the course, you will soon discover that these models are basically repeated applications of the methods of **constrained optimization** and **equilibrium analysis**. These techniques will be covered in the context of problems relating to consumer, business firms, and workers. These are among the techniques necessary to understand the consequences of phenomena such as price rises, collusion among firms, and unionization as well as the effects of government policies such as rent control, minimum-wage legislation, environmental preservation, and agricultural price supports. Limitations of the standard rational choice model will also be discussed. Attention will be paid to the cognitive biases that influence economic decision-making and to the interdependencies among individual decisions.

YOUR OBJECTIVE

Develop economic intuition and have a solid background in optimization techniques.

READINGS

Robert H. Frank, Microeconomics and Behavior, 9th ed. McGraw Hill, New York, 2014.

(Note: The 8th ed. or any International ed. is also OK.)

Also (optional) selected articles (all available online).

ANCILLARY READINGS

Study Guide for use with Microeconomics and Behavior by Frank, 9th ed. McGraw Hill, 2014.

Students may get some extra help from the textbook's website at:

> http://highered.mcgraw-hill.com

Students are also advised to follow at least one of the three following newspapers: *the New York Times, the Wall Street Journal,* or *the Financial Times.*

Students may consult any editions of the following books for further references. (Note that the order of books is from simple to more rigorous treatment of topics):

William J. Baumol and A. Blinder, Microeconomics, Thomson.
Robert H. Frank and B. Bernanke, Principles of Microeconomics, McGraw Hill.

Jeffrey M. Perloff, Microeconomics, Pearson.
Robert Pyndyck and D. Rubinfeld, Microeconomics, Prentice Hall.

Walter Nickholson and C. Synder, Intermediate Microeconomics, Dryden.
Hal Varian, Intermediate Microeconomics, Norton.

REQUIREMENTS

The most important requirements for the course are watching online lectures on time and completing the readings as assigned. There are weekly online discussion sessions with the professor to discuss course topics. Attendance of the sessions is required and constructive participation will contribute to your final grade. Your understanding of microeconomics will be enhanced through exposure to different types of material, which are cumulative. For this reason, you should keep up with the readings and taking notes while watching online sessions. Otherwise, you are most likely be overwhelmed at exam time and lost in space in class.

The requirements for the course also include a midterm and a final exam with five problem sets and submitting class notes from course videos. You are encouraged to work online with the TA on problem sets, but you must each hand in your solutions. The lowest grade of the five problem sets will be dropped and this portion of your grade will be based on your best four. Please note the due dates for the assignments.

All the information pertaining to this course, including the problem sets will be posted at Yale's Canvas Course System. It is your responsibility to register to the course web page with a working e-mail address.

Your library or simply Google can easily provide you with the links for the supplementary readings.

Since the answer key to each problem set will be posted at its due date no late problem set will be accepted. It is your responsibility to check the web sites periodically.

The exam dates are as follows:
Midterm: At the End of the Third Week
Final: At the End of the Fifth Week

N.B. These dates will not be changed for any students, and there will be no make-up midterm. No student will be given special privileges that are unavailable to other students. All students are expected to take every exam and submit their solution to at least four problem sets. If a student misses the midterm due to documented grave illness, family catastrophe, or reasons of public security that cause a student to miss the midterm, his/her grade will be weighted based on his/her final exam. Every student must take the final exam in order to get a letter grade.

GRADING

The midterm will account for 35 percent, the final for 35 percent, the best four problems sets for 20 percent (5 percent each) and submitting recorded class notes for 5 percent. The remaining 5 percent will depend on class participation and online attendance for live lecture sessions (a total of 10, i.e., 0.5 percent each). The instructor has the sole authority to change a student grade only by half letter grade.

Cheating Policy: If you cheat once in any exam, you will fail this course in addition to whatever other penalties the College may levy.

ONLINE HELP

We provide extensive online help. In addition to recorded lectures, you will have direct access to the course TA and me. Please take full advance of the online discussion sessions, not only with me but also with the TA or just e-mail us if you are having problems with the material. We are always willing to help in any way that we can. Often a difficulty with a problem set can be easily resolved online. We are willing to give some hints.

ONLINE ETIQUETTE

In order to maintain a professional online atmosphere in our virtual class, basic etiquette and common courtesy are required for engagement among participants like in any group meetings. Namely, but not limited to: no phones, no texting and e-mail messaging; punctual attendance; no side discussions; no disruptive online behavior such as eating and drinking. Students are expected to dress appropriately to sit in a table ready to take notes.

COURSE OUTLINE AND READING ASSIGNMENTS

Appendixes are NOT required (unless otherwise indicated). The dates are approximate; depending on class discussions, some topics may be covered more quickly or more slowly than anticipated.

DATE	TOPIC	READINGS
Week 1	Introduction: Thinking Like an Economist Quantitative Review	Ch. 1
	Supplementary Reading: Krugman, "The Accidental Theorist."	
	Inspirational Reading: Dixit, "In Honor of Paul Krugman: Winner of the John Bates Clark Medal."	
Week 1	Supply and Demand	Ch. 2
Week 1	Rational Consumer Choice	Ch. 3
Week 2	Individual and Market Demand	Ch. 4

Week 2	Applications: A Gasoline Tax & Two-Part Pricing	Ch. 5
Week 2	The Economics of Information	Ch. 6

Supplementary Reading:
Akerlof, "The Market for Lemons: Quality Uncertainty
and the Market Mechanism."

Inspirational Readings:
Akerlof's Nobel Prize Lecture and Banquet Speech

Week 3	Interdependent Preferences (Quick Overview- Lecture Notes)

Supplementary Readings:
Leibenstein, "Bandwagon, Snob, and Veblen effects
in the Theory of Consumers' Demand."

Galbraith, "Consumer Behavior and the 'Dependence Effect.'"

Hayek, "The Non Squitter of the 'Dependence Effect.'"

Inspirational Readings:
Hayek's Nobel Prize Lecture and Banquet Speech

Week 3	Cognitive Limitations and Consumer Behavior	Ch. 7

Supplementary Readings:
Tversky and Kahneman, "Rational Choice and the Framing of Decisions."

Inspirational Reading:
Kahneman's Nobel Prize Lecture

***   MIDTERM   ***

Week 3	Short-Run Production and Costs	Chs. 8 & 9
Week 4	Perfect Competition	Ch. 10
Week 4	Monopoly	Ch. 11

Supplementary Reading:
Leibenstein, "Allocative Efficiency vs. X-efficiency"

Week 4	Imperfect Competition: Monopolistic Competition	Ch 13
Week 4	Imperfect Competition: Oligopoly	Ch. 13
Week 4	More Game-Theoretic and Institutional Approaches to IO	Ch 12

Supplementary Reading:
John Nash, "Non-Cooperative Games."

| Week 5 | Factors Market: Labor | Ch. 14 |

Supplementary Reading:
Spence, "Job Market Signaling."

Inspirational Reading:
Spence's Nobel Prize Lecture

| Week 5 | Factors Market: Capital | Ch. 15 |

Supplementary Readings:
Shiller, *Irrational Exuberance*, 3rd ed.
Akerlof and Shiller, *Animal Spirits*

Inspirational Reading:
Fama's and Shiller's Nobel Prize Lectures

| Week 5 | General Equilibrium (Quick Overview) | Ch. 18 |

Supplementary Reading:
Debreu, *Theory of Value* (Just scan it)

Inspirational Readings:
Debrue's Nobel Prize Lecture and Banquet Speech

| Week 5 | Externalities, Property Rights and the Coase Theorem | Ch. 16 |

Supplementary Readings:
Coase, "The Problem of Social Cost."

Inspirational Readings:
Coase's Nobel: Prize Lecture and Banquet Speech

| Week 5 | Government: Public Goods (Quick Overview) | Ch. 17 |

Supplementary Reading:
Olson, *The Logic of Collective Action* (selected chapters—just scan it)

***   FINAL   ***

GOOD LUCK!
HOPE YOU ALL WILL ENJOY THE COURSE!