ECONOMICS S115E
INTRODUCTION TO MICROECONOMICS
(ONLINE)

SYLLABUS

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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; factor markets (labor and capital) 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 consumers, business firms, and workers. These are among the techniques necessary to understand the consequences of phenomena such as price rises and collusion among firms as well as the effects of government competition policies such as regulation, environmental preservation, and agricultural price supports. The course also pays attention to limitations of the standard rational choice model, especially to the cognitive biases and the interdependencies among individual decisions that influence economic decision-making.

N.B.(1) Open to both freshmen and sophomores. Limited enrollment. Basic calculus background required!

N.B.(2) Students placed in Math 118 or Math 120 are preferred. Students who have taken Math 115 are also welcome.

N.B.(3) Students placed in Math 110, Math 112 need instructor’s permission.

OBJECTIVE

Learn how to think like an economist. Improve economic intuition and have a solid background in optimization techniques.

READINGS

P.S. The 10th edition is just out! The 9th edition or older, or an international edition is perfectly OK. The Yale Bookstore priced the 9th edition as follows: Print, new: $286.35, Print, used: $214.75, Print, new rental: $194.70, Print, used rental: $134.60, eBook, Buy: $196.85, eBook, rent (for 130 days): $153.90. Here is a link to buy online from the bookstore: https://tinyurl.com.

Also selected articles (all available in the Yale Library electronic resources or online).

ANCILLARY RESOURCES AND READINGS

Students may get some extra help from Study Guide for use with Microeconomics and Behavior by Frank, 10th ed. McGraw Hill, 2021 and/or the textbook's website at:

http://highered.mheducation.com/sites/0078021693/student_view0/index.html

This site provides a variety of supplementary materials for the text, including key terms, chapter summaries and practice quizzes. The free on-line Study Guide is highly recommended at:

http://highered.mheducation.com/sites/0078021693/student_view0/study_guide.html

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 as well as the Economist.

Students may consult 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, any ed. Thomson.
Jeffrey M. Perloff, Microeconomics, any ed. Pearson.
Robert Pyndyck and D. Rubinfeld, Microeconomics, any ed. Prentice Hall.

Some good online resources to supplement the text and lectures are as follows: Prof. Jon Gruber’s micro course “Principles of Microeconomics” on MIT’s OpenCourseWare. (Course number: 14.01SC). A more advanced and also helpful course is Prof. David Autor’s Microeconomic Theory and Public Policy, also on MIT’s OpenCourseWare, (Course number: 14.04.) Jon Gruber's course includes video lectures while David Autor’s class does not.

ECONOMIC RESEARCH

This course relates to material covered in lectures to the economic research, especially the ideas awarded by Nobel Prizes in Economics. In order to create interest in economics I added supplementary and inspirational readings, which are not required. However, they are very useful especially for those who want to excel in their majors. The course also summarizes the recent research on the topic covered in lectures. Students may also check the following data resources and podcasts:

Data Resources and Economics Podcasts:
Our World In Data https://ourworldindata.org/
TECHNOLOGY POLICY & THE MODE OF DELIVERY

While certain technology enhances learning, some impair it. Recent research also shows that laptops are no good in taking notes. So, no laptop, yet tablets are OK. While taking notes, use a regular or electronic pen in summarizing the topics being taught in your own words. Simultaneous listening, visualizing and writing maximize learning effectiveness. Period. Accordingly, power point presentations are less effective. So, the instructor will rarely use it. No cellphone and no texting during online sessions.

The course also utilizes technology as its integral part. The previously recorded lecture videos will be available online before each lecture for those students to master the topics. They are essentials to follow the live online zoom sessions. The videos are not substitutes for live lectures. Please note that attendance to live sessions is mandatory and there is a heavy penalty if you miss a session more than once. Please see the course webpage at Canvas for details.

REQUIREMENTS

The most important requirements for the course are mastering lecture videos and attending live sessions after completing the readings as assigned. Attendance and constructive participation will contribute to your final letter grade. Your understanding of microeconomics will be enhanced through exposure to different types of material, which are cumulative. For this reason, the attendance is mandatory, and you should keep up with the readings. 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 four problem sets. The exams are open book, open notes with no access to internet sources. Students are encouraged to work with fellow classmates on problem sets, but each must submit his/her own solutions.

All the information pertaining to this course, including the problem sets and their answer keys plus due dates for the assignments will be posted at: https://canvas.yale.edu/ No late problem set will be accepted. It is your responsibility to periodically check the web site.

The (tentative) exam dates are as follows:

Midterm: The fifth Live Session on Tuesday
Final: The last Live Session on Thursday

N.B. These dates will not be changed for any student, and there will be absolutely no make-up exams. All students are expected to take every exam and submit their solution to the 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 only after s/he hands in written Dean's Excuse to the instructor. Every student must take the final exam in order to get a letter grade. No student will be given special privileges that are unavailable to other students.
GRADING

The midterm and the final will account for 80%, (each for 40%), and the problems sets for 20% (each 5 %). Grades will be curved. Depending upon attendance and class participation, the instructor has the sole authority to change a student’s grade only by half letter grade at his discretion.

N.B. Academic Dishonesty Prevention Policy: Any attempt to cheat means failing this course in addition to other penalties the College may levy.

ONLINE HELP

We provide extensive online help. In addition to pre-recorded lectures, you will have direct access to the instructor and the TA who will hold regular online office hours via Zoom. Please see the course webpage at Canvas for details. Please drop by or send us e-mail(s) if you are having problems with the material. Often a difficulty with a problem set can be easily resolved during online office hours. I am also 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 (mostly) NOT required. The dates are approximate; depending on class discussions, some topics may be covered more quickly or more slowly than anticipated. For the supplementary readings, the Yale Library electronic resources or Google has the links.

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<thead>
<tr>
<th>DATE</th>
<th>TOPIC</th>
<th>READINGS</th>
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<tbody>
<tr>
<td></td>
<td><strong>PART I: INTRODUCTION</strong></td>
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<tr>
<td>Week 1</td>
<td>Introduction: Thinking Like an Economist</td>
<td>Ch. 1</td>
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<td>Math (Calculus) Review</td>
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<td><strong>Supplementary Reading:</strong></td>
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<tr>
<td></td>
<td>Krugman, “The Accidental Theorist.”</td>
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<td><strong>Inspirational Readings:</strong></td>
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<td></td>
<td>Krugman’s Nobel Prize Lecture and Banquet Speech</td>
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<td>Week 1</td>
<td>Supply and Demand (including Appendix)</td>
<td>Ch. 2</td>
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# PART II: CONSUMER THEORY

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<tr>
<th>Week 1</th>
<th>Rational Consumer Choice</th>
<th>Ch. 3</th>
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<td>Week 2</td>
<td>Individual and Market Demand</td>
<td>Ch. 4</td>
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<td>Week 2</td>
<td>Applications: A Gasoline Tax &amp; Two-Part Pricing</td>
<td>Ch. 5</td>
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<td>Week 3</td>
<td>The Economics of Information</td>
<td>Ch. 6</td>
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**Supplementary Reading:**

**Inspirational Readings:**
Akerlof’s Nobel Prize Lecture and Banquet Speech

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<tr>
<th>Week 3</th>
<th>Interdependent Preferences (Quick Overview)</th>
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**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

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<th>Week 3</th>
<th>Behavioral Economics</th>
<th>Ch. 7</th>
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**Supplementary Readings:**

**Inspirational Reading:**
Kahneman’s Nobel Prize Lecture and Banquet Speech

*** MIDTERM ***

# PART III: PRODUCER THEORY

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<tr>
<th>Week 3</th>
<th>Production</th>
<th>Ch. 8</th>
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<tr>
<td>Week 3</td>
<td>Costs</td>
<td>Ch. 9</td>
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## PART IV: MARKET STRUCTURE

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<tr>
<th>Week 4</th>
<th>Perfect Competition</th>
<th>Ch. 10</th>
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<tr>
<td>Week 4</td>
<td>Monopoly</td>
<td>Ch. 11</td>
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**Supplementary Reading:**  
Leibenstein, “Allocative Efficiency vs. X-efficiency”

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<tr>
<th>Week 4</th>
<th>Imperfect Competition: Game Theory</th>
<th>Ch. 12</th>
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**Supplementary Reading:**  
John Nash, “Non-Cooperative Games.”

**Inspirational Reading:**  
Nash’s Nobel Prize Lecture and Banquet Speech

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<th>Week 4</th>
<th>Imperfect Competition: Monopolistic Competition</th>
<th>Ch. 13</th>
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<tr>
<td>Week 4</td>
<td>Imperfect Competition: Oligopoly</td>
<td>Ch. 13</td>
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## PART V: FACTOR MARKETS

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<tr>
<th>Week 5</th>
<th>Factor Market: Labor</th>
<th>Ch. 14</th>
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**Supplementary Reading:**  
Spence, “Job Market Signaling.”

**Inspirational Reading:**  
Spence’s Nobel Prize Lecture and Banquet Speech

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<tr>
<th>Week 5</th>
<th>Factor Market: Capital</th>
<th>Ch. 15</th>
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**Supplementary Reading:**  
Shiller, “From Efficient Markets Theory to Behavioral Finance.”  
Akerlof and Shiller, *Animal Spirits*

**Inspirational Reading:**  
Fama’s and Shiller’s Nobel Prize Lectures

## PART VI: MARKET EFFICIENCY AND MARKET FAILURE

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<tr>
<th>Week 5</th>
<th>General Equilibrium (Quick Overview)</th>
<th>Ch. 18</th>
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**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 we will all ENJOY the course!