Microeconomics
Autumn 2012
Wednesday 8:55-11:30
School of Economics Building, SE801

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COURSE DESCRIPTION

Microeconomics is one of the most relevant and interesting subjects for students who care about how the world works. A good grasp of microeconomics would facilitate making managerial decision, designing and understanding public policy, and more generally appreciating how a modern economy functions. This course is designed to discuss a series of new topics that have come to play a central role in microeconomics over the years and to provide a treatment of microeconomic theory that stresses its relevance and application to both managerial and public-policy decision making.

The course will start with the introductions of the scope of microeconomics and some basic concepts and tools. Then we will show how supply-demand analysis can be used to determine the effects of changing market conditions. In the next part we will explain the principles underlying both consumer behavior and firm decision-making. We will also show government policies’ effects. In part 3 we will explain market power and show how the pricing, investment and output decisions of firms depend on market structure and the behavior of competitors. In the end, by applying normative approach we will describe the goal of economic efficiency, show when markets generate efficient outcomes, and explain when they fail and thus require government intervention.

COURSE OBJECTIVES

(1) Students will be expected to acquire knowledge and understanding of:
   a) The themes of microeconomics and the most important tools: supply-demand analysis.
   b) The theories of consumer preference and demand curve as well as firm choices pursuing profit maximization.
c) The meaning and sources of market power, the game theory and firms’ competitive strategy in monopolistic market structure.

d) Market failure due to incomplete information, externalities and public goods, in which circumstances government intervention are required to achieve economic efficiency.

(2) The teaching methods should facilitate the development of cognitive and presentational skills including:

a) The delivery of structured oral presentations
b) Participation in group discussions and research works
c) Individual research at postgraduate level

CONDUCT OF THE COURSE

(1) Each class will be a mixture of lecture, article or chapter review, discussion.
(2) Group activities will be required to achieve some assignments.

GRADING CRITERIA

Your grade will be evaluated based on the following criteria:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Participation and exercises</td>
<td>20%</td>
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<tr>
<td>Article Reviews</td>
<td>20%</td>
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<tr>
<td>Final exam</td>
<td>60%</td>
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<td>TOTAL</td>
<td>100%</td>
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Students will be graded as follows:
A= Achievement outstanding relative to the level necessary to meet course requirements.
B= Achievement significantly above the level necessary to meet course requirements.
C= Achievements meeting the basic course requirements.
D= Does not fully meet basic course requirements, but worthy of credit.
F= Performance failing to meet course requirements.

COURSE REQUIREMENTS

(1) Participation: Students are expected to attend classes, complete all required exercises and significantly contribute to the seminar discussions each week. Participation in class discussions is an essential part of the
(2) Article Reviews: You will submit short article reviews for class discussion. You should address the main points in the readings but also present an argument focusing on particular issues (theoretical weaknesses, empirical problems, things that have been ignored, ways in which the argument could be improved, etc). In doing so, you need conduct some additional research by consulting other literature not listed in the syllabus.

(3) Final exam: A paper-based test will evaluate your understanding and application of the theories and examples discussed in classes. Make-up exams or extensions will not be granted except in case of emergency.

SCHEDULE AND READINGS

1. Introduction: Markets and Prices (Sep.8)

2. The Basics of Supply and Demand (Sep.15)

3. Consumer behavior (Sep.22)

4. Individual and Market Demand (Sep.29)
   Bordley, R., "Relating Cross-Elasticities to First Choice/Second Choice Data",

5. Choice Under Uncertainty (Oct.6)

6. Production (Oct.13)

7. The Cost of Production (Oct.20)

8. Profit Maximization and Competitive Supply (Oct.27)

9. The Analysis of Competitive Markets (Nov.3)

10. Market Power:Monopoly and Monopsony (Nov.10)
Syllabus for Microeconomics

101-113 (Required)
Guy Ankerl, Beyond Monopoly Capitalism and Monopoly Socialism. Cambridge, Mass.: Schenkman Pbl., 1978. (Optional)

11. Pricing with Market Power (Nov.17)

12. Monopolistic Competition and Oligopoly (Nov.24)

13. Game Theory and Competitive Strategy (Sep.1)

14. Markets for Factor Inputs (Sep.8)

15. Investment, Time, and Capital Markets (Sep.15)
16. General Equilibrium and Economic Efficiency (Sep.22)

17. Markets with Asymmetric Information (Sep.29)

18. Externalities and Public Goods (Jan.5)