INTERMEDIATE MICROECONOMICS (HONORS)
Fall 1999

Instructor:

Professor Christopher Flinn
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998-8925
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Lecture:

Tuesday and Thursday, 11:55-1:10, Meyer 102.

Office Hours:

Tuesday, 1:30-3:00, or by appointment.

Description:

In this course we will study basic microeconomic theory and its application to some selected problems of both practical and academic interest. Microeconomic analysis involves problem-solving, which means that most of our time will be spent setting-up and solving constrained optimization problems. When we study the manner in which consumers make consumption choices, we will begin by specifying an objective of the consumer [in this case, a preference-ordering or a utility function], a set of constraints the consumer faces [in this case, the prices of items he or she desires and the income available for purchases], and then determine the best [from the point of view of maximizing the objective] allocation of expenditures across consumption goods. When we analyze the behavior of firms, we will typically postulate profit maximization as the firm’s objective, and have firms determining input utilization [given their production technology and the nature of input markets] and output levels [given the structure of the output market in which they operate] so as to maximize this objective. In the final portion of the course we will analyze the manner in which equilibrium in input and output markets is determined. This will serve to put together what may originally seem to be two separate branches of microeconomic analysis [i.e., theory of the consumer and theory of the firm].

While the techniques used to solve problems in intermediate-level price theory are somewhat cut and dried, microeconomic applications are not, and whenever possible we will illustrate price theory in the context of problems students hopefully will find interesting. However, be advised that the
The principal goal of this course is to ensure that all students can take standard microeconomic problems and correctly analyze them. To have a chance of achieving this goal, all students will have to complete a substantial number of problem-solving homework assignments over the course of the semester.

Prerequisites:

It is expected that all students have a working familiarity with (differential) calculus. The calculus we will use throughout the semester is elementary, but familiarity with basic rules of differentiation [including partial differentiation] is essential for you to complete the homework exercises and problems on the exams. Any student who has questions as to the adequacy of his or her mathematical background should contact me within the first week of classes.

In addition, all students are expected to have completed both Economic Principles I and II. I am more flexible concerning this prerequisite.

Text (Required):

Requirements and Grading:

During the semester, approximately 10 homework assignments will be given. Assignments will be distributed on Tuesdays, and will be due the Tuesday of the following week at the beginning of the class. No late assignments will be accepted. The two lowest grades on the homework assignments will not be counted in determining the final grade. In this way, students who are not able to complete an assignment due to some legitimate reason will not have their grades adversely affected.

There will be two in-class examinations during the semester, a midterm and a final. These exams will emphasize problem-solving ability, and will contain material similar to that in the homework exercises. The final examination primarily will contain material from the second part of the course, but will also contain material from some topics covered on the midterm exam. The dates of the examinations are:

Mid-term: In class Thursday, October 28.
Final: During finals week, TBA

The final grade for the course will be determined as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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</thead>
<tbody>
<tr>
<td>Homework Average*</td>
<td>.20</td>
</tr>
<tr>
<td>Mid-term Exam</td>
<td>.40</td>
</tr>
<tr>
<td>Final Exam</td>
<td>.40</td>
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</tbody>
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* Average computed after dropping the two lowest homework scores.
### Chapters and Topics in Order of Consideration

**Chapter** | **Topic**
---|---
4,1,2 | Intro to microeconomics; Review of the differential calculus
5 | Preference orderings and utility functions
6,3 | Consumer choice; Constrained optimization
8,9 | Analysis of demand functions
17 | Demand for leisure
19,20 | Choice under uncertainty

**Theory of the Consumer**

10 | Production technologies
11 | Cost functions
12 | Profit maximization and derived demand for inputs
13 | Partial equilibrium models of price determination under perfect competition
15 | Monopolistic markets
16 | Oligopoly theory and strategic behavior
21 | Externalities and public goods