Lecture: Tuesday, 7.00-9.45, Cockefair Hall 104


Optional Text: H. R. Varian, *Microeconomic Analysis*
T. Lawson, *Reorienting Economics*

Support Material: F. S. Lee, *Microeconomic Analysis Lecture Notes* (on Blackboard)
F. Lee, *Neoclassical Microeconomics: A Mathematical Approach Made Simple*
http://cas.umkc.edu/econ/economics/faculty/Lee/courses/502/Math.pdf
Web sites to help students build their mathematical skills:
The Khan Academy: http://www.khanacademy.org/math/algebra
Geogebra: http://www.geogebra.org/cms/
Math from basic algebra to differential equations - http://patrickjmt.com/
Math from pre-cal to differential equations - http://www.integralcalc.com/

Assessment: Take-Home Problem 1 due on February 12, 2013—worth 5% of your grade.
In-class technical exam on consumer and demand theory on February 26, 2013—worth 15% of your final grade
In-class Exam I covers parts II - IV, neoclassical microeconomics on March 12, 2013—worth 25% of your final grade
Take-Home Problem 2 due on April 2, 2013—worth 5% of your grade.
In-class technical exam on production, costs, and the perfect competition on April 16, 2013—worth 15% of your final grade
Take-Home Problem 3 due on April 30, 2013—worth 5% of your grade.
Final Exam covers parts V - VI, heterodox microeconomics (May 14, 2013 from 8.00p.m. – 10.00p.m.)—worth 30% of your final grade

Problem Sets: Problem sets will be handed out in class.
Sample Questions and Answers
Course Description: The course provides a critical survey of neoclassical microeconomic theory, including methodology, demand theory, production and costs theory, theory of competitive and non-competitive markets, distribution, welfare, and general equilibrium.

COURSE OUTLINE AND READING LIST

“Well, in our country, “ said Alice, still panting a little, “you’d generally get somewhere else—if you ran very fast for a long time…” “A slow sort of country!” said the Queen. “Now here, you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!”

Through the Looking-Glass

I. Introduction

1. Lee, Neoclassical Microeconomics Lecture Notes, ch. 1.

II. Defining Economics, Methodology, and Models

“Ain our country,” she remarked, “there’s only one day at a time.” The Red Queen said “That’s a poor thin way of doing things. Now here, we mostly have days and nights two or three at a time….”

Through the Looking-Glass

A. Marshall on Defining Economics and Methodology


B. Defining Modern Economics, Methodology, and Models

1. Lee, Neoclassical Microeconomics Lecture Notes, Part I, ch. 3.
III. Theory of Consumer Behavior and Demand

“Living backwards!” Alice repeated in great astonishment. “I never heard of such a thing!” “__but there’s one great advantage in it, that one’s memory works both ways.” “I’m sure mine only works one way,” Alice remarked. “I can’t remember things before they happen.” “It’s a poor sort of memory that only works backwards,” the Queen remarked. “What sort of things do you remember best?” Alice ventured to ask. “Oh, things that happened the week after next,” the Queen replied in a careless tone.

_Athrough the Looking-Glass_

A. Marshallian Analysis of Demand

1. Lee, _Neoclassical Microeconomics Lecture Notes_, Part II, ch. 5.
B. Modern Utility and Preference Theory


C. Consumer Demand Theory

8. Jehle and Reny, *Advanced Microeconomic Theory*, ch. 1.3-1.5

D. Special Topics in Consumer Demand Theory


E. Market Demand Curve


F. Criticisms

11. Fine, B. “Consumers and Demand”.

IV. Theory of Production and Costs

“There’s no use trying,” she said: “one ca’nt believe impossible things.” I daresay you haven’t had much practice,” said the Queen. “When I was your age, I always did it for half-an-hour a day. Why, sometimes I’ve believed as many as six impossible things before breakfast.”

*Through the Looking-Glass*
A. Marshall’s Analysis of Supply


B. Theory of Production


C. Theory of Costs: Changes in the Level of Output


D. Special Topics in Production and Cost Theory

E. Criticisms

2. Keen, *Debunking Economics*, ch. 3.

V. Price Theory, Firm, and Market Stricture: Perfect Competition

“Mr. Robertson’s remedy is to discard mathematics, and he suggests that my remedy is to discard the facts; perhaps I ought to have explained that, in the circumstances, I think it is Marshall’s theory that should be discarded.” (P. Sraffa, 1930).

A. Marshall’s Theory of Prices


B. The Years of Turmoil, 1920 – 1933


C. Perfect Competition and the Supply Curve

1. Lee, Neoclassical Microeconomics Lecture Notes, Part IV, ch. 17.
2. Nicholson and Snyder, Microeconomic Theory, chs. 11-12.
8. Jehle and Reny, Advanced Microeconomic Theory, ch. 3.5, 4.1, 4.3.

D. Criticisms

1. Lee, Neoclassical Microeconomics Lecture Notes, Part IV, ch. 18.
2. Keen, Debunking Economics, ch. 3.
VI. Price Theory, Firm, and Market Structure: Monopoly, Imperfect Competition, and Oligopoly

A. Monopoly


B. Monopolistic/Imperfect Competition

2. Nicholson and Snyder, Microeconomic Theory, ch. 15.
11. Jehle and Reny, Advanced Microeconomic Theory, ch. 4.2.3.

C. Oligopoly

2. Nicholson and Snyder, Microeconomic Theory, ch. 15.
D. Market Structure and Performance

E. Behavioral and Managerial Theories of the Firm


F. Game Theory


G. Problems with Marginalism


VII. **Factor Input Markets and Distribution**

A. Marshall and the Marginal Productivity Theory of Distribution


B. Demand and Supply of Factor Inputs Under Competitive Conditions


C. Demand and Supply of Factor Inputs Under Non-Competitive Conditions


D. Distribution of Income


E. Criticisms


VIII. **General Equilibrium and Welfare Economics**

A. General Equilibrium


B. Welfare Economics


C. Criticisms

IX. Neoclassical Microeconomics Theory, Mainstream Economics, and Economic Science

What we cannot speak about we must pass over in silence.

*Tractatus Logico-Philosophicus*