

**Economics 326: Intermediate Microeconomic Theory**  
**Tentative**  
**Spring 2011 – Professor John C. Ham - Reading List**

**Lectures (John Ham):** Tu, Th 2:00pm - 2:50pm in TYD 0117 (TYD = Tydings Hall).

**Discussion Sections (Naomi Utgoff):** Tutorials are all in TYD 2109, sections 0101 F 9 - 9:50, 0102 F 11 - 11:50, 0103 F 12 - 12:50

**Office hours:** John Ham  
3105D Tydings Hall  
Tuesday 3:30-5:00 and by appointment.  
ham@econ.umd.edu

**Office hours:** Naomi Utgoff  
3115P Tydings Hall  
Thursday 12:15 - 1:45, 3:30 – 4:00 and by appointment.  
utgoff@umd.edu

**Course objectives:** This course covers the tools and concepts of intermediate microeconomic theory. Building on the microeconomic foundations learned in introductory classes, we will develop models to analyze the decisions of consumers, the behavior of firms, and the functioning of markets. These models form the core of neoclassical economic theory, and are the basis for economic analyses of market equilibrium, efficiency, and individual and social welfare. Thus, understanding them is important for more advanced work in economics. The course will stress applying the principles covered here to economic problems. We will use both diagrammatic and calculus based approaches to each topic. If your calculus is rusty, now is the time to brush up on it. The discussion sections the first week will have a calculus review. Multiple choice quizzes in the discussion section will start week 2. You may have some weeks without a quiz – this will not be announced in advance.

I will also make an effort to learn as many of your names as possible for two reasons. First, research shows students learn more when the Professor knows their names, and when they know each others' names. Second, this allows me to write much more helpful letters of recommendation. To achieve this, I will provide students with name cards and ask that you bring them to class. (I will bring extra supplies in case you forget yours.)

It is important that students learn as much as possible in the class, as intermediate microeconomics is the foundation for many economics courses that follow. On my side this means I will try to make my lectures as clear as possible, supplement my lectures with handouts where appropriate, prepare practice midterms and a practice final so you know what to expect on the exams, and set midterms and a final that fairly represent the material covered in class. I will also put last year's problem sets, practice midterms, midterms and answers (where available) on [elms.umd.edu](http://elms.umd.edu). *On your side it is important that you do not disrupt the class for your fellow students by talking in class or by using a cell phone (including text messages). Since student participation is important to the class I need your full attention in class, which also rules out reading material from outside the class while in class or checking your laptop for email.*

**Textbook:** Robert S. Pindyck and Daniel Rubinfeld, *Microeconomics*, 7<sup>th</sup> Edition, Pearson,

Prentice Hall, 2004. The textbook has been ordered at the major campus bookstores. (*You can save money by buying the 6<sup>th</sup> edition of the textbook, and I will list readings for both. However, if you buy the 6<sup>th</sup> edition, it is your responsibility to make sure that you are not missing any material.*)

**Course website:** Announcements, problem sets, handouts, solutions, and other class materials will be posted on the course website at *elms.umd.edu*. I will periodically post road maps that will let you know exactly what material we have covered and what material we will cover in the near future.

**Grading:** Grades will be based on the *maximum* of two schemes:

**Scheme 1:**

Your best *eight* scores on weekly multiple choice tests in your discussion section, your best *five* scores on the problem sets listed below, two midterm exams, and a final. Your overall grade will be determined according to the following scheme:

In discussion multiple choice tests:	10%
Problem sets:	15%
Midterm 1 (total grade):	20%
Midterm 2 (total grade):	20%
Final exam:	35%.

**Scheme 2:**

Your best *five* scores on the problem sets listed below, two midterm exams, and a final. Your overall grade will be determined according to the following scheme:

Problem sets:	15%
Midterm 1 (total grade)	20%
Midterm 2 (total grade)	20%
Final exam	45%.

**Note: It is my experience that students who attend the discussion sections, and do Scheme 1, get significantly higher grades on average.**

**Midterm Exams:** In past years some students have found that a 50 minute midterm is too short for them to show what they know. Unfortunately it is extremely difficult logistically to schedule a longer midterm (for example at night). Thus in response to previous student feedback we will have each midterm over both the Tuesday and Thursday class of a given week. Note that it will be my goal that the questions you see on the Tuesday exam do not help you predict what will be on the Thursday exam.

On Midterm 2, you will only be responsible for the topics covered between Midterm 1 and Midterm 2. The Final will be comprehensive. In the exams you will be responsible for the lecture notes and any handouts (these will be available on the website), as well as the assigned parts of the textbook. (We probably will not cover all the material on the reading list.)

**I will provide calculators for the midterms and the final. You will not be allowed to use your own calculator or your cell phone during the midterms or final.**

***It is your responsibility to obtain the lecture notes if you miss a class.***

**Last year's midterms and problem sets:** I will post midterms, problem sets and their answers from last year's class on *elms.umd.edu*.

**Problem Sets and Working Together:** Problem sets not only constitute an important part of your grade, but it is extremely difficult to do well on the exams if you have not worked hard on the problem sets. The problem set with the lowest grade will be dropped. Many students find it beneficial work on the problem sets and study for the exams with other students. To encourage this I will pass around a list where students can sign up to be part of study group and we will try to coordinate this as well as we can. However, students must write up the answers to the problem sets on their own and in their own words, as this is the only way to insure that you have mastered the material. You can turn in your problem sets on the day that they are due in class or drop them off under my door by 2:00 pm of the date they are due. You can also email them to me if necessary by 2:00 pm of the date they are due if necessary. If you scan your problem set and email it to me, please send it as a pdf file instead of sending a jpeg file. **Late problem sets will not be accepted.**

**My Background:** I received my BA from the University of Toronto and my PhD from Princeton University. I have taught at the University of Toronto, the University of Pittsburgh, Ohio State University and most recently, the University of Southern California. My areas of research are applied econometrics, health economics, labor economics, and public economics. If you want to learn a bit more about my research go to: <http://econweb.umd.edu/~ham/>

## Topics

1. *Definitions, Demand and Supply*: 7<sup>th</sup> Edition: Chapter 1 (skim), Chapter 2 except for sections 2.4 - 2.6. Also, read the example 9.6 on pp. 340-342 but ignore the discussion of deadweight loss. 6<sup>th</sup> Edition: Chapter 1, Chapter 2 except for sections 2.4 - 2.6. Also, read the example 9.6 on pp. 330-332 but ignore the discussion of dead weight loss.
2. *Basic Consumer Theory*: 7<sup>th</sup> Edition: Chapter 3. Also Sections 4.1 - 4.4. and the Appendix to Chapter 4 (very important). 6<sup>th</sup> Edition: Chapter 3. Also Sections 4.1 - 4.4. and the Appendix to Chapter 4 (very important).
3. *Applications of Consumer Theory*:
  - a. Labor Supply and the Negative Income Tax: 7<sup>th</sup> Edition: pp. 531-534, 6<sup>th</sup> Edition: pp. 525-526, and a handout.
  - b. Saving and Borrowing: 7<sup>th</sup> Edition: pp. 553-560, 6<sup>th</sup> Edition: pp. 547-550, and a handout.
  - c. Elasticity of Demand: 7<sup>th</sup> Edition: sections 2:4 - 2:5, 6<sup>th</sup> Edition: sections 2:4 - 2:5, and a handout.
4. *Uncertainty and Consumer Behavior*: 7<sup>th</sup> Edition: sections 5.1-5.3, 6<sup>th</sup> Edition: sections 5.1 - 5.3, and a handout.
5. *Production*: 7<sup>th</sup> Edition: Chapter 6, 6<sup>th</sup> Edition: Chapter 6.
6. *Cost of Production*: 7<sup>th</sup> Edition: sections 7.1 - 7.4. and the Appendix to Chapter 7 (very important), 6<sup>th</sup> Edition: sections 7.1 - 7.4. and the Appendix to Chapter 7 (very important).
7. *Profit Maximization and Competitive Supply*: 7<sup>th</sup> Edition: Chapter 8, 6<sup>th</sup> Edition: Chapter 8.
8. *Analysis of Competitive Markets*: 7<sup>th</sup> Edition: Chapter 9, 6<sup>th</sup> Edition: Chapter 9.
9. *Monopoly and Monopsony*: 7<sup>th</sup> Edition: Chapter 10, 6<sup>th</sup> Edition: Chapter 10.
10. *Monopolistic Competition and Oligopoly*: 7<sup>th</sup> Edition: Chapter 12, 6<sup>th</sup> Edition: Chapter 12.
11. *Markets for Factor Inputs*: 7<sup>th</sup> Edition: Chapter 14, 6<sup>th</sup> Edition: Chapter 14.
12. *General Equilibrium and Economic Efficiency*: 7<sup>th</sup> Edition: Chapter 16, 6<sup>th</sup> Edition: Chapter 16.
13. *Externalities and Public Goods*: 7<sup>th</sup> Edition: Chapter 18, 6<sup>th</sup> Edition: Chapter 18.

## **Class Schedule:**<sup>1</sup>

Jan 25

Jan 27

Feb 1

Feb 3 – Problem Set 1 assigned.

Feb 8

Feb 10 – Problem Set 1 due in class, emailed to me or under my door by 2 pm. No late problem sets can be accepted.

Feb 15 Problem Set 2 assigned.

Feb 17 –

Feb 22 – Practice Midterm 1 given out. Problem Set 2 due in class, emailed to me or under my door by 2 pm. No late problem sets can be accepted.

Feb 24 –Practice Midterm 1 taken up in class.

**Mar 1 – Midterm 1 part 1. This will take place at the usual class time but in a different classroom, at least for some students.**

**Mar 3 – Midterm 1 part 2. This will take place at the usual class time but in a different classroom, at least for some students.**

Mar 8

Mar 10 – Problem set 3 assigned.

Mar 15

Mar 17 – Problem set 3 due in class, emailed to me or under my door by 2 pm. This will be an optional review class, so *if you are doing well in the course*, there is no need to come to this class, as long as you hand in your problem set on time.

Mar 22 – Spring Break

Mar 24 – Spring Break

Mar 29

Mar 31 – Problem Set 4 assigned.

Apr 5 – Practice Midterm 2 given out.

Apr 7 – Practice Midterm 2 taken up in class. Problem Set 4 due in class, emailed to me or under my door by 2 pm. No late problem sets can be accepted.

**April 12 – Midterm 2 part 1. This will take place at the usual class time but in a different classroom, at least for some students.**

**April 14 – Midterm 2 part 2. This will take place at the usual class time but in a different classroom, at least for some students.**

Apr 19

Apr 21 – Problem Set 5 assigned.

Apr 26

Apr 28 – Problem Set 5 due in class, emailed to me or under my door by 2 pm. No late problem sets can be accepted.

May 3 – Practice Final available; it constitutes problem set 6.

May 5

May 10 – Problem Set 6/Practice Final due in class, emailed to me or under my door by 2 pm. No late problem sets can be accepted. Problem Set 6/Practice Final taken up in class.

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<sup>1</sup> I reserve the right to change the schedule except for the midterm dates and, of course, Spring Break.