

# ECON 500

Microeconomic Theory

Department of Economics • UIUC

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**Semester offered:** Fall 2007

**Instructor:** Stefan Krasa

**Text books:** Microeconomics, by Pindyck and Rubinfeld

**Examinations:** Your course grade will be determined by adding the points you received the two midterm examinations, the final, and the homework. I will post information on how the point score translates into a letter grade.

- *Mid-term Examination I:* October 5. The maximum is 100 points.
- *Mid-term Examinations II:* November 2. The maximum is 100 points.

You should consider these dates to be firm and put them in your schedule. If there is a change, it will be announced sufficiently in advance.

☐ *Final examination:* Saturday, December 17, 8:00-11:00am. The maximum score on the final is 100 points.

☐ *Homework* will be posted periodically. Homework will be graded. The maximum score on each homework is between 3 and 5 points.

You can choose to do the homework in teams of up to three students. Each team submits one copy of the homework that lists all the team members. The relative contribution of each team member will be evaluated at the end of the course. Once you have chosen to work in a particular team, you cannot change the team without my explicit permission. Discussing homework questions before the due date with students of other teams is not allowed. Obviously, copying is not allowed either. Thus, if you want to discuss homework questions with other students, then you should join a team.

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## Course Content:

1. Introduction (Chapter references refer to the textbook):
  1. Supply and Demand (Chapter 2)
  2. Optimization (Not in the textbook but see also the Appendix to Chapter 4)
2. Consumer Behavior and Demand (Chapters 3 and 4)
  1. Preferences (Chapter 3.1)
  2. Budget Constraint (Chapter 3.2)
  3. Consumer Choice (Chapter 3.3)
  4. Marginal Utility (Chapter 3.5)
  5. Cost of Living Indices (Chapter 3.6)
  6. Individual Demand (Chapter 4.1)
  7. Income and Substitution Effect (Chapter 4.2)
  8. Market Demand (Chapter 4.3)
3. Choice under Uncertainty (Chapter 5)
4. Markets with Asymmetric Information (Chapter 17)
5. Game Theory (Chapter 13)
6. Production (Chapter 6)
7. Costs of Production (Chapter 7.1)
8. Competitive Profit Maximization (Chapter 8.1-8.3)

9. The Analysis of Competitive Markets (Chapter 9)
10. Monopoly (Chapter 10.1-10.4 and 10.7)
11. Pricing with Market Power (Chapter 11).