Objective of this course is to analyze theories and models used in microeconomics, to prepare students for participating in discussions on intermediate microeconomic issues and to provide them with a background for advanced microeconomic courses.

**COURSE DESCRIPTION**

Microeconomics is divided into two parts: consumer behavior and the firm behavior. This semester, microeconomics I will cover the basics of these underlined behaviors with their functions. Starting from the topics of individual demand and supply functions, this course will focus on consumer equilibrium and the firm equilibrium.

**COURSE METHODOLOGY**

Microeconomics I and II will introduce students to microeconomic theory, emphasizing theoretically on markets, price system, resource allocation and price determination in competitive and imperfectly-competitive markets. The central question in this course is how households and firms maximize the relevant functions under the given constraints. We follow the course outline below and you will be given a research project for this semester. Details about the project are given below in this syllabus. Finally, you are expected to participate in discussions on the topics/questions covered in the textbooks.

**COURSE REQUIREMENTS**

**Prerequisite:** Introduction to Economics I (ECO 101)

**Attendance:** Attendance is not obligatory. However, in order for students to receive the full benefits of the qualified education offered by Macroeconomics course, as in other courses, they are strongly advised to attend the course regularly.

**Exams:** There are two exams to be taken by students for this course; Midterm and Final exams

**Project Study:** Each student (or group) is given a project by the instructor at the beginning of the semester.

**GRADING INFORMATION & CRITERIA**

**Grading:** 40% of the midterm exam and 60% of the final exam constitute the raw grade of the course. Raw grade is then converted into letter grade through the curve system. The outcomes are e-mailed to the students.

As for the students who complete the project work successfully they might be given up to 10 raw points in addition to final raw grade.

Students who participate actively in discussions in the class, may get some additional points...
REQUIRED & PROPOSED MATERIALS

Required Texts:


EXTRA INFORMATION

Group Projects: The purpose of these projects is to help you develop your skills in understanding microeconomics through applications. Economics is a science. Pure theory is a branch of logic and mathematics. But using economics in observing real economic life and in analyzing problems of it is an art; i.e., it requires skill in applying and practising the principles of economics. One can learn economics with the principles of pure theory, but nobody can acquire the art of using economics without practice. Therefore, always consider your both theoretical and empirical works as a valuable and powerful toolkit to you for further applications you can use in your future career. I cannot expect any group to do an excellent work. I expect, however, you to make a reasonable effort to work on your project.

The Project-Part I:

Answer the questions 1, 2 and 3 below by considering the market that I assigned to you.

<table>
<thead>
<tr>
<th>Group A</th>
<th>Group B</th>
<th>Group C</th>
<th>Group D</th>
<th>Group E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer</td>
<td>Automobile</td>
<td>Transportation</td>
<td>Telecommunication</td>
<td>Textile</td>
</tr>
</tbody>
</table>

**Q1-** How would you characterize this market (or industry)? Hint: a) there is only one firm in this industry; b) there are a few firms in this industry or c) there are a large number of firms in this industry.

**Q2-** If you were a businessman, would you invest in this industry? Why? Hint: As you answer this question, take into account one of the variables such as prices, profits or expectations.

**Q3-** Suppose, for the year of 2002, the estimated price elasticity of demand for commodity your firm produces in this industry is 3/2. Would you increase your product's price in order to increase your profit? Why? Note: You know that demand for your product (commodity) depends on consumers' income, tastes and other products. But ceteris paribus (other things given) you can assume that the price of your product is the only immediate influence on the quantity of your product demanded.

The Project-Part II:

The problems of the New York subway are not new. In the early 1950s, it was felt by many responsible citizens that the burden on the city budget due to the subway deficit was perhaps the single most important factor in New York City's financial problem.

Suppose that your group were members of the Mayor's Committee on Management Survey
and that you were presented the data in the table below. You were asked to find a solution to solve the subway budget deficit. There are several policies to suggest. As a member of Committee which policy (or strategy) would you suggest for Mayor to follow? Why? Suppose that prevailing fare was 10 cents in 1952.

Strategy 1: You would suggest increasing the subway fare to increase total revenue and as a result Mayor could decrease the budget deficit.

Strategy 2: You would suggest decreasing the subway fare so that citizens would demand more of subway travel and as a result Mayor could increase the total revenue.

<table>
<thead>
<tr>
<th>Fare (cents)</th>
<th>Group A</th>
<th>Group B</th>
<th>Group C</th>
<th>Group D</th>
<th>Group E</th>
</tr>
</thead>
<tbody>
<tr>
<td>TR</td>
<td>P</td>
<td>TR</td>
<td>P</td>
<td>TR</td>
<td>P</td>
</tr>
<tr>
<td>5</td>
<td>1945</td>
<td>97.2</td>
<td>1945</td>
<td>97.2</td>
<td>1945</td>
</tr>
<tr>
<td>10</td>
<td>1683</td>
<td>168.3</td>
<td>1683</td>
<td>168.3</td>
<td>1683</td>
</tr>
<tr>
<td>15</td>
<td>1421</td>
<td>213.2</td>
<td>1458</td>
<td>218.7</td>
<td>1530</td>
</tr>
<tr>
<td>20</td>
<td>1159</td>
<td>231.8</td>
<td>1262</td>
<td>252.4</td>
<td>1421</td>
</tr>
<tr>
<td>25</td>
<td>897</td>
<td>224.2</td>
<td>1092</td>
<td>273.0</td>
<td>1347</td>
</tr>
<tr>
<td>30</td>
<td>635</td>
<td>190.5</td>
<td>945</td>
<td>283.5</td>
<td>1278</td>
</tr>
</tbody>
</table>

Note: 1- P (passengers) and TR (total revenues) in millions per year.
2- Source of Data (except last two columns):

The Method:

For Q1 and Q2 of Part I, support your arguments with proofs such as relevant newspaper columns and/or figures. You will find enough material from the several newspapers or journals. You can reach those through Internet search engines. Try to read one of these papers/journals once a week and cut related articles, figures/pictures to support your conclusions.

For Q3 of Part I and all questions of Part II, you can use your textbook(s). For these questions, you do not have to give long answers. One-paragraph answer is good enough for each one. However, if necessary, you can get into details in your explanations.

Eventually I want you to hand in two or three-page (or could be more) project supported by your materials. This is a group project. Try to take the advantage of division of your work. Projects are due on December 15.

COURSE OUTLINE

Course Outline:

I. The Basic Issues of the Economies: (Week 1: October 4-8, 2004)
   - The Economic Problem,
   - Resources and Commodities,

II. An Overview of the Market Economy: (Week 1: October 4-8, 2004)
   - The Decision Makers,
   - Microeconomics and Macroeconomics.

   - Demand, Supply and Price,
   - Price Elasticity of Demand,
   - Elasticity of Supply.

IV. Consumption and Cardinal Utility: (Weeks 3 and 4: October 18-28, 2004)
   - Household Consumption Behaviour,
   - Total Utility, Marginal Utility
   - Utility Maximization.

V. Consumption and Indifference Theory: (Weeks 5 and 6: November 1-12, 2004)
   - Indifference Curves,
   - Marginal Rate of Substitution,
   - Budget Line,
   - The Equilibrium of the Household.

VI. Demand Curve and Shifts in Demand Curve:
   (Weeks 7 and 10: November 17-19; December 6-10, 2004)
   - The Income Effect and Substitution Effect in Indifference Theory,
   - Derivation of the Demand Curve,
   - Movements along the Demand Curve,
   - Determinants of Shifts in the Demand Curve,
   - Consumers' Surplus.

MIDTERM EXAM: Weeks 8 and 9 (November 22-December 3, 2004)

VII. Production in the Short Run: (Weeks 11 and 12: December 13-24, 2004)
   - Total, Average and Marginal Products,
   - The Average and Marginal Product Curves,
   - The Firm's Equilibrium in the Short Run.

   - Derivation of Isoquant Curves and Isocost Lines,
   - The Marginal Rate of Substitution and Elasticity of Substitution,
   - The Firm's Equilibrium in the Long Run,
   - Elasticity of Substitution and Production Functions.