

Syllabus: Microeconomic Theory / Econ 230 D1 -

Section 002

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General Information

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1 Overview

This is the first of a two-semester course introducing you to basic microeconomic theory. **You have to register for both semester courses to get credit.** The first semester focuses on the neoclassical economic model of market exchange. This model provides a framework for thinking about how choices of consumers and firms determine prices and output. We spend a lot of time on the neoclassical model because it provides an extremely powerful tool for policy analysis. It forms the starting point for all of modern economics and most economic research either defines itself by rejecting it or by building upon it.

During the fall term, I will introduce you to basic decision theory. You will learn what economists mean by rational decision making. You will see how rational decision makers, in particular consumers, decide between alternative uses of their resources. You will learn about how profit maximizing firms behave in competitive markets. Finally, you will learn how the price system coordinates the actions of consumers and firms in idealized markets without frictions.

We begin by considering markets for individual goods in isolation. For example, we might consider the market for cars. Later, we will move on to analyze how

markets for all goods in the economy interact.

A major goal of this course is to show you how you can use models to make your reasoning more precise and clear. Models are powerful tools that allow you to strip away detail that impede understanding. You will learn how to manipulate models and how to move between mathematical, diagrammatic, and verbal representations of these models.

A major teaching goal is to teach you some of the technical tools that allow you to manipulate mathematical models. As such the class will necessarily be heavy on math.

2 Communication

I will rely on myCourses to communicate with you. You are required to check myCourses everyday for announcements. I will also use mycourses and the quiz function on mycourses for problem sets.

How do I ask a administrative question?

First contact the TAs (mahmut.ablay@mail.mcgill.ca). He will answer many of your questions and will relay those he can not answer to me.

How do I ask a question about the subject matter?

If you have a question about the subject matter, then you should follow this approach:

1. Speak out in class!
2. Ask one of your fellow students. They are the most important resource at your disposal.
3. Email the TA.
4. If steps 1 through 3 fail: Come to my office hours.

In addition, you can use the discussion section on mycourses to ask questions. The TA and I will strive to regularly check this venue and answer questions. And, you might get good feedback from your colleagues.

3 Course Materials

Hal R. Varian's Intermediate Microeconomics: A Modern Approach (9th Edition) will serve as the textbook for the course. Any earlier edition of this book

is perfectly good to use (and probably cheaper).

You will also need to ensure access to Bergstrom and Varian's "Workouts in Intermediate Microeconomics" (9th edition) You can either purchase a new version or use the old version available as a pdf on Bergstroms webpage at this link: [Workout pdf](#) For the homework, I will often refer to specific workout problems from this. Generally, I highly recommend doing the exercises in Theodore C. Bergstrom and Hal R. Varian's Workouts in Intermediate Microeconomics (9th Edition) as we go along.

Lecture slides, video recordings, and all required readings except the textbook will be posted on myCourses.

Course Recordings

The audio and slides of the lectures will be recorded (assuming all goes well) to allow you to review the material. A link will be available on myCourses. However, it happens that the technical equipment fails (it did for several weeks last year). That is one more reason to come to class and not rely on the recordings - I will not guarantee access to them.

Unfortunately, you will not be able to see anything that I write on the blackboard. Also, at times the audio might not be available because of technical issues or because I forget to turn on the microphone. Therefore, I recommend not relying exclusively on the audio-recordings, but rather come to class.

4 Course Requirements and Grading

I expect you to:

1. Check myCourses regularly.
2. Do the assigned readings before you come to class.
3. Come to and participate in class.
4. Do your homework and come to the exams.
5. Get help from the TA if you don't understand something.

You should expect to work about 5-6 hours per week on this course in addition to coming to the lectures.

Evaluation

Problem Sets

There will be 8 problem sets in total. You are required to complete 6 out of the 8 problem sets. If you submit more than 6 problem sets, only the best 6 will count. Official due dates will be announced on myCourses. Late submissions will not be accepted.

Problem Sets count for 20% of the total grade.

Midterm and Final Examination

- Midterm (35%) Thursday, Oct 19th, in class.
- Final (45%) during Final Exam Period.

This course has two sections. This Section is Econ 230D1-002. You are **not** allowed to write the final exam of the other Section, but are responsible to write the exam for this section. If you end up writing the exam of the other section, it will not be graded and you will receive 0% on the exam.

Make-up Exams The only acceptable reasons to miss an exam are documented family or medical emergencies. If you miss an exam, you must hand me an original physician's note within 7 days of the date of the exam which explains the medical reason for your absence. No make-up exams are possible for the midterm exam. If you miss the midterm exam, that exam's weight will be reallocated to the final exam.

Grading

Econ 230 D1 is the first semester of a two semester course. You ultimately receive a single grade for the combination of the two semesters. Each semester contributes 50% to your final grade. There are no exceptions, except transfers from ECON250. The two semester grades will be averaged to arrive at the full-year grades. For the fall semester, 20% of the final grade are based on homework. 35% on second midterm, and 45% on the final.

Supplemental exams for those eligible will **cover material from both Econ 230D1 and Econ 230D2** and will be held during the summer following Econ 230 D2. Supplemental exams are not given for individual semesters only. Students taking the supplemental exam should be aware that it counts for 100% of the grade in the two-semester course.

In the event of extraordinary circumstances beyond the University's control, the content and/or evaluation scheme in this course is subject to change.

Re-read Policy: We do our very best to ensure fair grading and to minimize errors. Nevertheless, you might end up disagree with the grade you have received in your exam. In that case, you may opt to have your exam re-read. Before you do, please make sure you first carefully compare your answers to the solutions we provide.

To request a re-read, you must submit to me (the instructor, not the TA) your exam with a written justification for the re-read, specifying the question which you felt was incorrectly graded and why you believe it was incorrectly graded. This written request for re-read must be submitted within 7 days of receiving the exam. I will then re-read and reassess the exam. Please note that I will review the entire exam. As a result, your grade may go up, down, or stay the same.

Transfers from Econ 250

There are two time-windows when transfers from Econ 250D1/2 to 230D1/2 are permitted.

Window 1 is up to the week after the midterm (in Econ 250). For students using this window, the course grade in 230 will depend solely on your performance in 230D1/2. The component from 230D1 (the Fall semester) will depend on the final in 230D1 only.

Window 2 is up to the January add/drop period in the winter system. For students using this window, the grade for 230D1/D2 will be composed of 25% for the 250D1 Fall semester and 75% for the 230D2 Winter semester.

5 Course Outline

This course outline is tentative. I will supplement these readings using material posted on mycourses as we go along. All chapters below refer to the Varian textbook.

Lecture 2 Introduction (Varian, Chapter 1), Friedman's Article on the Scientific Method and the excerpt from Mary Morgan's "The world in a model", both available on myCourses.

Lecture 3, 4 An Introduction to Supply and Demand

Lecture 5, 6 An Introduction to Optimization / Math Camp (Varian, Appendix) – this includes some calculus.

Consumer Choice and Demand

Lecture 7-14 Consumer Choice and Utility Maximization

- The Budget Constraint (Varian, Chapter 2)
- Preferences (Varian, Chapter 3)
- Utility (Varian, Chapter 4)
- Choice (Varian, Chapter 5)
- Demand (Varian, Chapter 6)
- Slutsky (Varian, Chapter 7)
- Income and Substitution Effects (Varian Chapter 8)
- Consumer Surplus (Varian Chapter 14)
- Market Demand (Varian Chapter 15)

Lecture 14 Labor Supply (Varian, Chapter 9, Section 3 of CORE "The Economy"
<https://www.core-econ.org/the-economy/book/text/0-3-contents.html>)

Lecture 15 Intertemporal Choice (Varian, Chapter 10)

Lecture 17-18 Uncertainty (Varian Chapter 12)

Firm Choice and Supply

Lecture 19 Technology (Chapter 19)

- Lecture 20-24
- Profit Maximization (Chapter 20)
 - Cost Minimization (Chapter 21)
 - Cost Curves (Chapter 22)
 - Supply (Chapter 23)

6 Other

- McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offenses under the Code of Student Conduct and Disciplinary Procedures (see www.mcgill.ca/students/srr/honest/ for further information).
- According to Senate regulations, instructors are not permitted to make special arrangements for final exams. Please consult the calendar, section 4.7.2.1, General University Information and Regulations, at www.mcgill.ca.
- In accord with McGill University's Charter of Students' Rights, students in this course have the right to submit in English or in French any written work that is to be graded.
- As the instructor of this course I endeavor to provide an inclusive learning environment. However, if you experience barriers to learning in this course, do not hesitate to discuss them with me and the Office for Students with Disabilities, 514-398-6009.
- End-of-course evaluations are one of the ways that McGill works towards maintaining and improving the quality of courses and the student's learning experience. You will be notified by e-mail when the evaluations are available. Please note that a minimum number of responses must be received for results to be available to students

McGill University is on land which has long served as a site of meeting and exchange amongst Indigenous peoples, including the Haudenosaunee and Anishinabeg nations. We acknowledge and thank the diverse Indigenous people

whose footsteps have marked this territory on which peoples of the world now gather.