**Overview:** This course teaches the basic principles of modern microeconomics and their application to business decisions. The course will cover the following topics: the economic determinants of consumer choice; the behavior of firms in competitive and monopolistic settings; the effect of market structure on prices, production, and profit; factor markets, investment, and technological change; the strategic aspects of pricing; the effect of incomplete information and uncertainty on the behavior of consumers and firms.

**Text:** The text for this course is *Microeconomics*, by Goolsbee, Levitt and Syverson. The bookstore should have a print copy; you can also find the E-book at [www.CourseSmart.com](http://www.CourseSmart.com) (search for “Goolsbee”). The text is recommended but not required. Students in the past have found having some textbook very helpful, although if you already own something from undergrad this is likely also fine.

**Class Notes and Administrative Issues:** Slides will be made available on the course webpage the day before class.

**Grading:** Grades will be determined by one of the following two formulae:

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>Problem Sets</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>50%</td>
<td>70%</td>
</tr>
</tbody>
</table>

In other words, if you perform better on the Final than you did on the Midterm, the midterm will be significantly down-weighted. The maximum grade point average for the class will be 3.3, where A=4, B=3, C=2, D=1, and F=0.

**Problem Sets:** There will be eight graded problem sets. The problem sets are not optional. The problem sets will be graded, but the two lowest problem set grades will be dropped. Thus, no late problem sets will be accepted. If you have an emergency that prevents you from turning in a problem set, I will count that problem set as one of the two lowest grades.

You are encouraged to work with your classmates on the problem sets. You must hand in your own set of answers with explanations in your own words. If a problem requires calculations or math, you must show your work. Identical copies of joint work are not acceptable.
**Review Sessions:** There will be a weekly review session to go over the problem sets. The review session is open to all students across all sections. These sessions will be run by the Teaching Assistant (TA):

- **Review Session:** **Saturday** (except 11/28 & 12/12),
  - **12:15pm - 1:15pm,** **Gleacher Center, Room 404**

These review sessions are not required. No new material will be presented at the sessions; the sessions are designed to go over the solutions to the problem set from the previous week. The sessions will not cover the current problem sets, and I will look very poorly on student efforts to get current problem set answers from the TA. Saturdays

**Exams:** The midterm exam will be held in the first half of the class in Week 5. The final exam will be held in the assigned final exam slot. You may take the exams in any of my two sections. There will be no make-up time for either exam. If you cannot be in town for the final exam, please do not take this class. If you anticipate a possible emergency (example: due to give birth on day of final) please talk to me as soon as possible. Do not wait until week 10 to bring up this concern.

**Alternative Sections:** I teach Friday and Saturday afternoon. You may attend an alternate section from your own at most twice during the quarter. If you do this, please wait until 5 minutes after class has started to take a seat; this gives the students actually enrolled in that section a chance to get seats first.

**Honor Code:** Students in my class are required to adhere to the standards of conduct in the Booth Honor Code and the Booth Standards of Scholarship. I take this Honor Code extremely seriously.

**Mathematical Requirements:** You should refresh your memory of elementary algebra and calculus. You should:

- Be able to graph an equation (especially a linear equation) on a two-dimensional graph.

- Be able to solve a system of two equations and two unknowns for those points where both equations are true.

- Understand what a derivative is. The short answer is “the slope of a function at a point.”

- Be able to compute the derivative of a simple equation.

- Know that the derivative of a hill shaped function is zero at its peak. If you do not understand why this is true, you probably do not understand the third point well enough.

- If you are unsure about your level of mathematics, there is a primer with practice problems posted on the course site, which covers the type of derivatives you should be familiar with for the class. Please use this for review; if you can take the derivatives on this problem set, you should be fine in terms of the math.

The first review session of the course will cover some of this math. If you find you are uncomfortable with this, please attend the review session. Please note that this course is about
Economics, not Mathematics. However mathematics is a very useful tool in communicating the intuitions of economics. The mathematical tools described above are not difficult, but they do take time to master. Making this investment before the course will be extremely helpful.

**Office Hours/Getting Help:** By appointment, through email.
Course Schedule

Week 1:

What is Microeconomics? Introduction to Supply and Demand
The Price Elasticity of Supply and Demand

Textbook Reference Readings:
 Chapters 1 and 2

Supplemental Material:
“Why the oil price is falling”, The Economist. 12/9/2014.

“Skills, education, and the rise of earnings inequality among the `other 99 percent,’”
http://www.sciencemag.org/content/344/6186/843.full

Week 2:

Using Supply and Demand Curves:
Consumer and Producer Surplus, Efficiency, Government Intervention, and Taxation

Textbook Reference Readings:
Chapter 3 (Chapter 14 and 16.1-16.2 are optional)

The Effects of Uber’s Surge Pricing: A Case Study
http://faculty.chicagobooth.edu/chris.nosko/research/effects_of_uber's_surge_pricing.pdf

Supplemental Material:
http://www.economist.com/node/21573265/print

“The Economic Value of Google” Hal Varian (slides and video)

http://delong.typepad.com/sdj/2013/11/googles-hal-varian-on-economic-value-of-google-to-us-advertisers-and-customers-noted.html

Week 3:

Consumer Behavior, Market Demand, Consumer Welfare

Textbook Reference Readings:
Chapters 4 and 5

Supplemental Material:
“The Value of Health and Longevity” Bob Topel & Kevin Murphy (video and summary)
https://www.youtube.com/watch?v=CciwmbW3dIU
http://www.nber.org/digest/dec05/w11405.html

http://www.brookings.edu/about/projects/bpea/papers/2014/wealthy-hand-to-mouth

**Week 4:**

Production and the Firm I: Economic Cost, Factor Demand, and Technological Change

*Textbook Reference Readings:*
Chapter 6, 7, and 8

*Supplemental Material:*
“Economic Possibilities for Our Children,” Larry Summers (video)
https://www.youtube.com/watch?v=1x_sEZZ2yJE
(closely related keynote lecture at NBER)

http://web.mit.edu/krugman/www/hotdog.html

**Week 5:**

Midterm (first ½ of class)

*Textbook Reference Readings:*
Chapter 6, 7, 8

*Supplemental Material:*
http://www.brookings.edu/research/papers/2014/05/declining-business-dynamism-litan

**Week 6:**

Capital Markets, Investment, and Economic Growth

*Textbook Reference Readings:*
Chapter 13.1-13.4

*Supplemental Material:*

“Global Savings Glut” Ben Bernanke. 3/10/2005.


http://www.economist.com/node/21621160/print

“Are robots contributing to inequality?” *Booth Capital Ideas* conversation with Brent Neiman and Matt Notowidigdo. 5/13/2014.  
https://www.youtube.com/watch?v=zDK3KjWXrXM

“Productivity” Ben Bernanke. 2/24/2005.  

Week 7:

Monopoly

*Textbook Reference Readings:*

Chapter 9  
*Supplemental Material:*

“Market Failures and Public Policy” Jean Tirole 2014 Nobel Prize lecture  

“Taxi medallions have been the best investment in America for years. Now Uber may be changing that.” *Washington Post*. 11/27/2014.  


http://www.wsj.com/articles/peter-thiel-competition-is-for-losers-1410535536

Week 8:

Oligopoly and Strategic Interaction

*Textbook Reference Readings:*

Chapter 11 and 12

Week 9:

Uncertainty, Insurance, and Adverse Selection

*Textbook Reference Readings:*

Chapters 13 and 15

*Supplemental Material:*


“Affordable Care Act Roll-Out a Mixed Bag” summarized by Justin Wolfers
https://www.youtube.com/watch?v=UV8exTcHqYg

http://economics.mit.edu/files/5810

Week 10:

Price Discrimination, Behavioral Economics, and Other topics

Textbook Reference Readings:
Chapter 10 and 17.1

Supplemental Material:

Week 11: Final Exam