

ECG-700: Price Theory

Fall 2006: Tuesday & Thursday, 1:30-2:45 pm, HA 00373.

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Office hours: Mondays 1:00 – 3:00 PM & Wednesdays 10:00 – 12:00AM
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Main Text: Walter Nicholson, *Microeconomic Theory: Basic Principles and Extensions*, 9th edition; Thomson, Southwestern 2005.

The material in Nicholson's text has not changed much in recent editions. You should be fine if you use a slightly older edition, but you will have to be carefully to convert the reading assignments.

Supplemental Readings:

These books can be found in the D. H. Hill Library Reserve Room (24-hour loan):

Binger, B. R., and E. Hoffman. "Microeconomics with Calculus," Second Edition, Addison Wesley, 1998.

Katz, M.L. and H.S. Rosen. "Microeconomics," Third Edition, Irwin/McGraw-Hill, 1998.

Prerequisites:

Intermediate Microeconomics is required. The necessary mathematical expertise does not exceed elementary multi-variable calculus. If you are not comfortable with the prerequisites you should consult the following review material (these books are not in the reserve room, you need to get them from the stacks):

Intermediate Microeconomics (Examples for review)

Eaton, B.C., D.F. Eaton, and D.W. Allen. "Microeconomics," Fifth Edition, Prentice Hall, 2002.

Frank, R. "Microeconomics and Behavior," Fourth Edition, Irwin/McGraw-Hill, 2000.

Landsburg, S. "Price Theory and Applications," Sixth Edition, Thomson/South-Western, 2005.

Perloff, J.M. "Microeconomics," Addison-Wesley, 1999.

Pindyck, R. and D. Rubinfeld, "Microeconomics," Fifth Edition, Prentice Hall, 2001.

Varian, H., *Intermediate Microeconomics: A Modern Approach*, Seventh Edition W.W. Norton & Co. 2006.

Calculus (Examples for review)

Bittinger, M.L., Calculus: A Modeling Approach. Addison-Wesley Pub.Co., Reading, Mass. QA303 B645 1984.

Goldstein, L.J., D.C.Lay and D.I.Schneider, Calculus and Its Applications. Prentice-Hall, Englewood Cliffs, N.J. QA303 G625 1993b.

Ruchte, M.F., R.W. Ryden and H.E. Thompson. A Brief Calculus: With Applications to Economics and Business. Cummings Pub.Co., Menlo Park, Cal. HB135 R8.

Course Requirements:

There will be 3 exams: two midterms and a cumulative final. The exams will require analysis, review and summarization of topics covered in the class or in the readings, as well as the problem solving. In preparation for the exams I will hand out practice problem sets, followed by the solutions to these problem sets. However, problem sets will not be graded and as such will not affect your grade. However, I encourage all students to take them very seriously and work on them diligently, as one can expect the exams questions to be of a very similar type.

Grading:

The grades will be determined based on the midterms (30% each) and the final exam (40%). One should expect the following percentage performance/grade schedule:

- 90 - 100% = A range;
- 75 - 89% = B range;
- 61 - 74% = C range.

Dates to Remember:

September 28, 2006 – First Midterm

November 2, 2006 – Second Midterm

December 14, Thursday, 1:00 - 4:00PM – Final Exam

COURSE OUTLINE

1. An Economist's Methodology and Tools (ON YOUR OWN)

1.1 Methodology and the Economic System

Nicholson, Chapter 1

Binger and Hoffman, Chapter 4

1.2 Mathematics of Optimization and Equilibrium

Nicholson, Chapter 2

Binger and Hoffman, Chapters 1-3, with the exception of 3.3 and 3.7

2. Consumer Theory (LECTURING STARTS)

2.1 Utility Maximization

Nicholson, Chapters 3 and 4

Binger and Hoffman, Chapter 5

2.2 Comparative Static Analysis, Compensated Demand, and Elasticities

Nicholson, Chapters 5 and 6

Binger and Hoffman, Chapters 6 and 8

2.3 Choice under Uncertainty

Katz and Rosen, Chapter 6

Nicholson, Chapters 18

Binger and Hoffman, Chapter 19, 1-5.

3. Theory of the Firm

3.1 Production

Nicholson, Chapter 7

Binger and Hoffman, Chapter 10 and Section 2.3

3.2 Cost of Production, Profit Maximization, and Factor Demands

Nicholson, Chapters 8 and 9

Binger and Hoffman, Chapter 11

4. The Competitive Model

4.1. Pricing in the Product Markets

Nicholson, Chapter 10 and 11

Binger and Hoffman, Chapters 12 and 13

4.2. Pricing in Factor Markets

Nicholson, Chapter 16 (parts)

4.3. General Equilibrium and Welfare

Katz and Rosen, Chapter 12

Binger and Hoffman, Section 9.4

5. Market Power

5.1 Monopoly

Nicholson, Chapter 13

Binger and Hoffman, Chapter 15

5.2. Oligopoly and Imperfect Competition

Nicholson, Chapter 14 and parts of 15

Binger and Hoffman, Chapter 16

6. Asymmetric Information

Binger and Hoffman, Chapter 20

Katz and Rosen, Chapter 17