

**COURSE SYLLABUS  
SOUTHEAST MISSOURI STATE UNIVERSITY**

**Department: Economics and Finance**

**Title of Course: Microeconomic Theory**

**Catalog Description and Credit Hours of Course**

**Course No: EC420**

**Revision Spring 2010**

Leading theories of value and distribution with an analysis of price and output determination for firms and industries under various market conditions. (3)

**II. Prerequisite(s)**

MA134 College Algebra

EC215 Principles of Microeconomics

EC225 Principles of Macroeconomics

**III. Purposes or Objectives of the Course**

A. To understand how incentives shape individual choices between goods and services, work and leisure, and present versus future consumption. *BSBA Goal: Knowledge of the fundamentals of accounting, finance, business law, MIS, marketing, management, and economics. Use business-related terms, concepts, theories, and principles appropriately.*

B. To understand the assumptions necessary for market prices to foster efficient resource use. *BSBA Goal: Knowledge of the fundamentals of accounting, finance, business law, MIS, marketing, management, and economics. Use business-related terms, concepts, theories, and principles appropriately.*

C. To understand the limitations and roles of government in correcting market failures. *BSBA Goal: Application of critical thinking skills to business problems and ethical dilemmas. Use critical thinking to reach decisions by, identifying the problem/issue(s), presenting plausible alternatives, evaluating the alternatives and resolving the problem/dilemma with justification based on ethical principles, discipline-specific understanding, and professional judgment*

**IV. Expectations of Students**

A. Regular class attendance

B. Familiarity with assigned reading material

C. Participation in class discussion

**V. Course Outline**

**Class Periods**

- |    |   |   |
|----|---|---|
| A. | Introduction-Economics and Institutions   | 3 |
|    | 1. Economic agents and incentives   |   |
|    | 2. Harnessing incentives in different economic systems  |   |
|    | 3. Economic Models-Testing Theories   |   |
|    | 4. Three fundamental Institutions-the state, private property rights, custom and tradition    |   |
| B. | Consumer Theory   | 9 |
|    | 1. Consumer preferences, utility, and consumer demand   |   |
|    | 2. Income and Substitution Effects  |   |
|    | 3. Revealed Preference  |   |
|    | 4. Theory of cost of living indices-measuring consumer surplus using the expenditure function |   |
|    | 5. Consumer choice under risk and uncertainty   |   |
|    | i. von Neumann Morgenstern utility functions  |   |

	ii.	The emergence of insurance	
	iii.	Violations of expected utility functions	
6.		Applications to be determined by instructor	
	i.	Work and Leisure	
	ii.	Crime and Punishment	
	iii.	Food stamps versus lump-sum transfers	
	iv.	The choice between present consumption versus future consumption	
C.		Production and Cost	9
	1.	The production technology	
		i.	Law of diminishing returns
		ii.	Marginal product, average product, inefficiency
		iii.	Marginal rate of technical substitution
	2.	The Cost Function	
		i.	average cost and marginal cost.
		iv.	Economies and diseconomies of scale and scope
D.		Strategy, Games, and Decision Theory	6
	1.	Game Theory and Nash Equilibria	
	2.	Dominant Strategies	
	3.	Credible Threats	
	4.	Internal Organization of the Firm	
		i.	The Principal-Agent Problem
		ii.	Adverse Selection
		iii.	Moral Hazard
E.		Market Structures	6
	1.	Perfect Competition	
	2.	Monopolistic competition	
	3.	Monopoly	
	4.	Oligopoly	
F.		The Theory of Resource Price Determination and the Origins of the Class Struggle	6
	1.	Introduction to the theory of resource prices and income distribution	
	2.	Theory of wages, interest, rent, and profits.	
G.		Concluding Perspectives	6
	1.	General Equilibrium Theory	
		i.	Pareto Efficiency
		ii.	The first and second fundamental welfare theorems
	2.	Public goods and externalities	
		i.	Voting
		ii.	Rent seeking
	3.	Social Welfare functions	
		i.	Arrow's Impossibility Theorem
		ii.	Rawlsian justice
		iii.	Utilitarianism
		iv.	Envy and equity
		v.	Liberty

**VI. Textbook(s) and/or Other Required Materials or Equipment**

Pindyck, Robert S., 2009, *Microeconomics*, Pearson, Prentice Hall, 7<sup>th</sup> edition.

**VII. Basis of Student Evaluation**

Performance on tests, quizzes, assignments, reports, or other activities required for the course including an exam given during the scheduled final examination.