

THE UNIVERSITY OF THE WEST INDIES
ST. AUGUSTINE
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS

ECON2000 - INTERMEDIATE MICROECONOMICS I

SEMESTER I - 2009/2010

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EU LECTURER: MS. VARUNA RAMLAL

Intermediate Microeconomic theory furnishes the essential tools and techniques, which are used in all areas of economic analysis. This component of the course will present a rigorous analysis of the following:

1. Demand Theory and Consumer Behaviour
2. The Theory of Production
3. The Theory of Costs
4. The Equilibrium of the Firm
5. The Theory of Income Distribution and Factor Prices
6. The Nature of Economic Models

These topics will be covered in some detail and will include inter alia indifference curves, consumer's surplus, compensated demand curves, production functions, isoquant analysis, neo-classical cost functions, homogenous functions, demand and supply elasticity, marginal revenue and value of marginal products.

These concepts are presented both graphically and mathematically. At the end of this course the student would have been equipped with a significant portion of the language of economic analysis. Students are informed that this course is very intense and covers a large body of knowledge. They are expected to complete all assignments and attend tutorial sessions, as this is essential to success in the examination. The final examination accounts for 100% of the mark, is two hours long and all questions are compulsory.

The Course relies on three texts

1. W. Nicholson "Intermediate Micro-Economic and its Applications, 9th Edition (2004) Thompson, South-Western Publishers
2. A. Asimakopulos 'Micro-Economics' Oxford University Press
3. A. Koutsoyiannis 'Modem Micro-Economics 2nd Edition, Macmillian

The Nicholson is available in the Book Store. Readings from the other two texts are placed in the library (closed reserve).

COURSE OUTLINE

1. Economic Models: An Appraisal

Week 1

- What is Micro-Economics Uses of Micro-Economics
- The basic demand/supply model
(The Invisible hand and diminishing returns)
- Marginalism & Equilibrium
- Model Verification

W. Nicholson Chapter 1

A. Asimakopulos Chapter 2

2. The Theory of Consumer Behaviour

Weeks 2,3,4,5

Utility, preferences, indifference curves, marginal rates of substitution, budget constraints, homogenous demand functions, normal and inferior goods, income and substitution effects, bandwagon, snob and veblen effects, substitutes and complements, consumers surplus (compensating and equivalent variation approaches) market demand curves, elasticity (point, arc, cross) income elasticity, marginal revenue and price elasticity, constrained optimization and lagrange functions.

W. Nicholson: Chapter 2, 3, 4,

A. Asimakopulos: Chapter 5 (omit 5:20)
Chapter 6 (omit 6:5,6:6,6:7,6:9,6:10,6:11)

A. Koutsoyiannis: Chapter 2 (omit section 111)

3. The Theory of Production

Weeks 6, 7, 8

Elements and factors of production, production functions, marginal products, returns to scale, technical progress, substitution between elements of production, diminishing returns, marginal rate of technical substitution, isoquants, elasticity of substitution, Cobb Douglas functions, homogeneity, critique of neo-classical functions, leontief production functions.

W. Nicholson: Chapter 5

A. Asimakopulos: Chapter 7

A. Koutsoyiannis: Chapter 3 (omit section V and VI)

4. Theory of Costs

Week 9, 10, 11

Plant variable costs, plant fixed costs, cost and production functions, neoclassical production functions, single inputs, neo-classical cost curves, average and marginal costs, short run and long run costs, alternative cost functions.

W. Nicholson: Chapter 6

A. Asimakopulos: Chapter 8

A. Koutsoyiannis: Chapter 4 (omit sections IV and VI)

S. Theories of Factor Pricing

Week 12, 13

Marginal Productivity and factor pricing, marginal revenue product, value of the marginal product, the labour/leisure tradeoff, ricardian rent, interest and profit.

W. Nicholson Chapter 13 (omit appendix)

A. Asimakopulos Chapter 15
Chapter 16 (omit 16:5, 16:6, 16:10)

A. Koutsoyiannis Chapter 21 (omit sections ii & iii)