

Course description

Consumer and Firm Behavior develops microeconomic analytical tools with an emphasis on building economic intuition. Delivery of concepts will rely on everyday applications and examples alongside teaching of the basic tools.

Primary Textbook: *Microeconomics and Behavior* by Robert Frank

Instructor: Anand Murugesan

Class hours

Office hours: TBA

Grading

Weights to be determined.

- Pop quiz
- Assignments
- Final exam

Outline of Topics

Unit 1: Consumer Behavior

- Overview (Chapter 1)
 - Common pitfalls in decision making
 - Marginal thinking
- Supply and Demand (Chapter 2)
 - Adjustment to equilibrium (quantity and price)
 - Predicting and explaining changes
- Consumer choice (Chapter 3)
 - CC: Income & Substitution effects (Chapter 4)
 - Consumer responsiveness to price change
- Demand Theory (Chapter 4)

- Market Demand, elasticity, effect of tax
- Using rational choice model to answer policy questions
- Choice under uncertainty (Chapter 6)
 - Insuring against bad outcomes
 - Understanding “Market for lemons” (second-hand car market)
- Departures from standard rational models (Chapter 7)
 - Broadened self-interest (altruism)
 - Misbehaving (present-bias, self-control)

Unit 2: Firm Behavior

- Production, Costs (Chapter 8, 9)
 - Total, marginal and average products
 - Allocating production optimally
- Perfect Competition (Chapter 10)
 - Invisible hand
 - Applying the competitive model
- Monopoly (Chapter 11)
 - Price discrimination
 - Efficiency loss; policy towards monopoly
- Game-theoretic approach to strategic behavior (Chapter 12)
 - Introduction to game theory (Prisoner’s Dilemma)
 - Applications for firm investment
- Oligopoly and Monopolistic Competition (Chapter 13)
 - Intuition from Cournot, Bertrand and Stackelberg models
 - Application: Why advertising
- General Equilibrium and Welfare (Chapter 16, 17)
 - Market efficiency
 - Externalities