

GRADUATE SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS
UNIVERSITY OF PITTSBURGH

PIA 2004 MICROECONOMICS

FALL 2010

Instructor:	Sera Linardi
E-mail:	linardi@pitt.edu
Lecture hours:	Wednesdays 6-9pm
Lecture hall:	Room 117 Victoria Hall
Office Hours:	Tuesday 9:30-11:30 and by apt.
Office /Telephone:	WPH 3203 412.648.7650
Secretary:	Susan Sawyers
E-mail:	suzanc@gspia.pitt.edu
Office:	WPH 3201

The goal of this course is understand the microeconomic principles behind the interaction of consumers, producers, and the government. A key economic skill we will develop is the ability to take a real-world problem, identify the principal actors and their objectives, define their interaction, and solve for the outcome. To do so we will be graphing functions and solving algebraic equations.

The prerequisites for PIA 2004 are PIA 2008: Economics for public affairs, or courses in both microeconomics and macroeconomics at the introductory level, or consent of the instructor.

Required text:

- 1) Robert S. Pindyck and Daniel L. Rubinfeld (PR), Microeconomics, edition 5,6, or 7
- 2) Avinash K. Dixit and Barry J. Nalebuff (DN), Thinking Strategically: The Competitive Edge in Business, Politics, and Everyday Life

The lectures will be based on Chapter 2-13 and 18 of the PR textbook. You will be assigned weekly reading from this book at the end of each class. For homeworks, the full text of the questions will be posted online, so you will not need to refer to the textbook exercise numbers to do them.

We will use DN in the last third of the course when we discuss strategy. I personally recommend the book – not only it is required reading in many strategy courses, but it is also really a fun and enlightening read.

I will try to structure each class so that each hour of new material is followed by an in-class-exercise. The in-class-exercise will not be graded, but you must try to do them and turn them in to me. You can work in groups to solve the exercises. This ensures that you get an opportunity to immediately apply the concepts we have just learned and that I get feedback about the content and presentation of the material. The exams and homework will build upon the in-class exercise, so make sure you come to class.

There are 3 main sections of the course: Consumer, Producer, and Strategic Interaction. There will be one homework (10%) and one exam (20%) for each section. Homework assignments are due at the beginning of the lecture the following week. Exams are conducted in-class during the first hour or 90 minutes of class time. After the third exam we will have a group project where groups get to analyze a

case study of their choice. At last day of class, your group will submit a short (2 page) write up and present your findings in front of the class.

In short the grade for this course will be determined from :

3 homeworks (10%) each: 30 %

3 exams (20%) each: 60%

Presentation/write up of case study: 10%

You will be given one freebie this semester, which means that you can turn in one homework set late by 5 days, no question asked. For the freebie: turn in the late homework by Monday noon to my mailbox or to Susan Sawyer's office. Use this wisely and only for emergencies such as illness. The Monday noon deadline will be enforced strictly since I plan to return graded homeworks and post solutions on Monday afternoon. Apart from the freebie, late assignments will not be accepted.

The in-class exercise is your chance to discuss the material with others and the group case study is your chance to work as a team. However, exams and homeworks must be completed alone. Cases of cheating, plagiarism, and unauthorized collaboration will be handled in accordance with the University's policy on academic integrity.

GSPIA's grading policy is based on the premise that work at the graduate level is fundamentally different from undergraduate studies. Grades in the "B" range will be considered as representing fully satisfactory graduate-level performance. *Grades in the "A" range will be reserved for students who perform exceptionally well in all components of the course, and whose assignments show not only mastery of material presented by the instructor and the readings, but also shows creative and original thinking in application of methods.* Grades in the "C" range are an indication of below satisfactory performance. Students receiving grades of "C+" or below on the first assignment are urged to meet with the instructor to assess potential problems and develop strategies for improvement.

COURSE OUTLINE AND READING LIST

Week 1 (9/1): Introduction to the course and review of basic analytical tools and microeconomic concepts. Survey of interests.

PART 1: CONSUMER BEHAVIOR

Week 2 (9/8): Consumer behavior

READING: PR Chapter 3

Week 3 (9/15): Demand

Homework 1 posted online (covers week 1-4)

Week 4 (9/22): Choice under uncertainty

READING: PR Chapter 5

Homework 1 due at the beginning of the lecture

PART 2: PRODUCER BEHAVIOR

Week 5 (9/29): Production behavior

READING: PR Chapter 6

Exam 1 Consumer theory

Week 6 (10/6): Production behavior

READING: PR Chapter 7

Week 7 (10/13): Profit maximization and supply

READING: PR Chapter 8

Homework 2 posted online (week 5-8)

Week 8 (10/20): Competitive markets

READING: PR Chapter 9

Homework 2 due at the beginning of the lecture

PART 3: STRATEGIC INTERACTION

Week 9 (10/27): Principles of game theory: strategies and equilibrium

READING: DN Chapter 1, 2, 7, Epilogue to Part I, and PR Chapter 13.1-3

Exam 2 Producer theory

Week 10 (11/3): Principles of game theory: timing, commitment, and bargaining

READING: DN Chapter 5, 6, 11, and PR Chapter 13.4-8

Week 11 (11/10): Market power

Homework 3 is posted online (week 9-11)

READING: PR Chapter 10 and Chapter 12

Week 12 (11/17): Externalities and public goods

Homework 3 due at the beginning of the lecture

READING: DN Chapter 4, 9, 12, and PR Chapter 18

Week 13 (11/24): Thanksgiving break

Week 14 (12/1): Applications: discuss case study and presentations

Exam 3 Strategic interaction

Week 15 (12/8): Special topics/ applications.

Week 16 (12/16): **Final presentations. Case study write-ups due.**