COURSE SYLLABUS
SOUTHEAST MISSOURI STATE UNIVERSITY

Department: Economics and Finance  Course No: EC420
Title of Course: Microeconomic Theory  Revision Spring 2010

Catalog Description and Credit Hours of Course

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

<table>
<thead>
<tr>
<th>Class Periods</th>
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<tr>
<td>A. Introduction-Economics and Institutions</td>
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<tr>
<td>1. Economic agents and incentives</td>
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<td>2. Harnessing incentives in different economic systems</td>
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<td>3. Economic Models-Testing Theories</td>
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<td>4. Three fundamental Institutions-the state, private property rights, custom and tradition</td>
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<td>B. Consumer Theory</td>
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<td>1. Consumer preferences, utility, and consumer demand</td>
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<td>2. Income and Substitution Effects</td>
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<td>3. Revealed Preference</td>
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<td>4. Theory of cost of living indices-measuring consumer surplus using the expenditure function</td>
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<td>5. Consumer choice under risk and uncertainty</td>
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<td>i. von Neumann Morgenstern utility functions</td>
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C. Production and Cost
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
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
1. Perfect Competition
2. Monopolistic competition
3. Monopoly
4. Oligopoly

F. The Theory of Resource Price Determination and the Origins of the Class Struggle
1. Introduction to the theory of resource prices and income distribution
2. Theory of wages, interest, rent, and profits.

G. Concluding Perspectives
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


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.