

**Code: ECON-201**

**Title: Intermediate Microeconomics**

**Credit Hours: 03**

**Prerequisite: Principles of Microeconomics, Calculus I**

**Objectives:**

The course seeks to provide an understanding of the core economic models for the analysis of decisions by consumers, markets and firms. It would provide illustrations of the applications of some models to contemporary issues in economics. The objective of this course is to enable students to develop ability to use analytic reasoning to understand and apply basic models of microeconomic theory. Simple Calculus and Graphical methods will be used extensively.

**Course Contents**

**Consumer Theory**

Budget Constraint, Consumer Preferences, Indifference Curves, Well-Behaved Preferences, Utility, Utility Functions, Choice, Utility Maximization, Deriving the Demand Curve, Consumer Surplus.

**Demand:**

Normal and Inferior Goods, Income Offer Curves and Engel Curves, Ordinary Goods and Giffen Goods, The Price Offer Curve and the Demand Curve, Substitutes and Complements, The Inverse Demand Function, Concept of Elasticities.

**Revealed Preferences:**

The idea of Revealed Preferences, From Revealed Preference to Preference, Recovering Preferences, The Weak Axiom of Revealed Preferences, The Strong Axiom of Revealed Preference, how to check SARP?

**Slutsky Equation**

Substitution Effect, Income effect, Sign of Substitution Effect, Total Change in Demand, Rates of Change, Law of demand, Compensating Demand Curves.

**Technology**

Inputs and Outputs, Describing Technological Constraints, Examples of Technology, Properties of Technology, Long Run and Short Run, Returns to Scale

**Profit Maximization**

Profits, Fixed and Variable Factors, Short run profit maximization, Comparative Statistic, Profit Maximization in the Long Run, Inverse Factor Demand Curves, Profit Maximization and Returns to Scale

### **Cost Minimization**

Cost Minimization, returns to Scale and the Cost Function, Long Run and Short Run Costs, Fixed and Quasi-Fixed Costs, Sunk Costs.

### **Monopoly**

Maximizing Profits, Linear Demand Curve and Monopoly, Markup Pricing, Inefficiency of Monopoly, Deadweight Loss of Monopoly, what causes Monopolies?

### **Monopoly Behavior**

Price Discrimination, First-Degree Price Discrimination, Second-Degree Price Discrimination, Third-Degree Price Discrimination, Bundling, Two-Part Tariffs, Monopolistic Competition.

### **Oligopoly**

Choosing a Strategy, Quantity Leadership, Price Leadership, Comparing Price Leadership and Quantity Leadership, Simultaneous Quantity Setting, Cournot Equilibrium, Simultaneous Price Setting, Collusion.

### **Recommended Books:**

- Varian, H. R. (2009). Intermediate Microeconomics: A Modern Approach (8th ed.). W.W. Norton & Company.
- Pindyck, R. S., & Rubinfeld, D. L. (2001). Microeconomics (7th ed.), London Prentice Hall International.
- Snyder, C., & Nicholson, W. (2011). Microeconomic theory: Basic principles and extensions (11th ed.). South-Western College Pub.
- Nicholson, W. (2000). Intermediate microeconomics and its applications. Dryden Press: New York.
- Maddala, G. S. (2004), Microeconomics: theory & applications. Tata McGraw-Hill Education: New York.