

Princeton University  
Woodrow Wilson School

August 20, 2003

WWS 511b  
Microeconomic Analysis (Basic)  
Lectures: Monday and Wednesday, 10:40-12:10

Instructor

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Preceptor

Brett Libresco

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The purpose of this course is to develop an understanding of basic microeconomic tools. Emphasis will be placed on how these tools can be used for policy analysis. Students need not have taken any other economics courses. They should have a good command over algebra, and be familiar with basic calculus concepts, although proficiency in calculus is not necessary.

Course requirements: midterm exam (30%), final exam (50%), and nine problem sets (20%).

I recommend that students buy the following textbook:

Walter Nicholson, Intermediate Microeconomics and its Application, 9th edition, Dryden Press.

You may also want to use Hal Varian, Microeconomics: A Modern Approach, 6<sup>th</sup> edition, W.W. Norton and Co. as an additional reference. Varian is slightly more technical and a little less “wordy” than Nicholson. If you really like Varian you could use it as your primary text. But, keep in mind that the notation I use in my handouts and lectures will more closely follow Nicholson.

Additional information about the course.

1. Handouts

There will be a series of handouts that present material for the course. Sometimes these will cover what is in the textbooks, and sometimes they will present new material. The handouts are posted on Blackboard, under “course documents.” You will find it helpful to print these out and bring them to class.

2. Precepts and problem sets

Precepts and problem sets work is as follows. A weekly problem set will be posted on Blackboard each week. Your answers will be due at the precept the following week. Late problem sets will not be accepted. If you cannot attend precept, either turn your problem set in early or give it to someone else to turn in at precept. Please give your problem sets to Brett Libresco, not to me. Students can work together on problem sets, although solutions should be written and handed in separately. It's a good idea to work on the problem sets on your own before meeting with a group—you'll get more out of them.

I will distribute 10 problem sets over the course of the semester. You are required to do 9 of them. If you decide to hand in all 10, the problem set with the lowest score will be dropped when calculating your grade. Attached to most problem sets will be a set of questions for review/discussion. The answers to these are not to be turned in, but you might want to use them to help you study.

3. Office hours

Brett Libresco and I will each have weekly office hours. Please use these office hours, especially if there are issues that are still unclear after review sessions. If you cannot make it to my office hours and want to set up an appointment, an easy way to reach me is via e-mail.

#### 4. Tutoring

Tutoring is available, typically in small groups, through the Graduate Program office. If you think you would benefit from tutoring, come and discuss it with Brett or me. It can take a little while to get tutoring set up, so don't wait until the last minute to request help.

#### 5. Important dates

**October 6:** Yom Kippur. Class will be canceled. A makeup class will be held sometime during the semester (we'll settle this after the precept schedule is set.)

**October 22:** midterm exam, to be held during regular class hours

#### 6. Readings

The readings from Nicholson are required. The readings from Varian are optional—look at them only if you like Varian's style and find this book helpful. Additional optional readings may be assigned during the semester. Note that there are 24 classes during the semester, one of which will be used for the midterm. The amount of time I have given for each topic is approximate.

#### **Introduction and Overview** (Class 1)

Skim Nicholson, Chapter 1 (including appendix—this material should be familiar from math camp).  
Varian, Chapter 1 and Mathematical Appendix.

#### **The Theory of Consumer Behavior** (Classes 1-4)

Nicholson: Chapters 2-4 (with a focus on chapter 2 and 3), Appendix to Chapter 13 (on labor supply)  
Varian: Chapters 2-9, 14-15  
Handouts 1-4

#### **The Theory of the Firm** (Classes 5-8)

Nicholson: Chapters 5-7, Chapter 13 (pp. 419-429)  
Varian: Chapters 18-23  
Handouts 5-6

#### **The Perfectly Competitive Model** (Classes 9-11)

Nicholson: Chapter 8-9.  
Varian: Chapter 16  
Handouts 7-8

#### **Midterm** (held during Class 12)

#### **General Equilibrium** (Class 13)

Nicholson: Appendix to Chapter 9  
Varian: Chapter 30-31  
Handout 9

#### **Monopoly, Imperfect Competition and Game Theory** (Classes 14-17)

Nicholson: Chapters 10-12

Varian: Chapters 24-29  
Handouts 10-12

**Externalities and Public Goods** (Classes 18-20)

Nicholson: Chapter 16  
Varian: Chapters 33-35  
Handouts 13-14

**Intertemporal Choice, Discounting, and the Cost of Capital** (Class 21)

Nicholson: Chapter 14 (including Appendix)  
Varian: Chapter 10-11  
Handout 15

**Uncertainty and Imperfect Information** (Class 22-23)

Nicholson: Chapter 15  
Varian: Chapters 12-13, 36  
Handouts 16-17

**Equity versus Efficiency in Policy Analysis** (Class 24)

Chapter 15 of Rosen, Harvey, Public Finance, McGraw-Hill, 1999.  
Varian, Chapter 32  
Handout 18