Oakland University School of Business Administration Department of Economics ECN 3040: Consumer and Welfare Economics (3 credit hours) Winter 2018

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Office Hours:	5 -6 pm on Mondays; 8:30 - 9:30 am and 1:30 - 2:30 pm on Tuesdays and	
	Thursdays; and by appointmen	it.

Course Description: This course is the core course in economic theory for economics majors. Main topics of interest include: the theory of consumer choice, theories of general equilibrium and welfare economics, evaluation of circumstances under which market failure occurs and of policies that mitigate market failure, and decision making in a variety of contexts. The course will emphasize application of the essential tools in the economist's toolkit--constrained optimization, comparative statics, and equilibrium analysis.

Prerequisite: Economics 303 with a minimum grade of 2.0.

Exams: Three exams will be given during the term. The exams will take place on the following dates:

Exam IMonday, February 12Exam IIMonday, March 26Exam IIIMonday, April 23, 7-9 pm

Each exam will consist of a mix of short answer and longer problem type questions. Note that Exam III is <u>not</u> comprehensive and will cover only the material presented in the last third of the course.

<u>Make-Up Exams</u>: Make-up exams will only be given at my discretion. Work related reasons for missing exams are generally <u>not</u> acceptable. If you do miss an exam, then you will need to provide third party documentation of the reason for your absence. Should I decide to let you take a make-up exam, you will be allowed to do so at a mutually convenient time *during finals week*.

<u>In-Class Quizzes</u>: I will give <u>six</u> in-class quizzes over the course of the semester. The quizzes will be administered toward the end of class and will cover material from the evening's lecture and the lecture from the week before. The quizzes have the objective of incentivizing you to stay up with the reading and will also help you assess your state of knowledge going in to the exams. I will count only your <u>four</u> highest grades in calculation of your quiz average.

<u>Grading</u>: The exams will be equally weighted and will account for **75%** of your course grade. Performance on the in-class quizzes will account for the remaining **25%** of your course grade.

Class Assessment Calendar:

Assessment	Date
Quiz 1	January 22
Quiz 2	February 5
EXAM I	February 12
Quiz 3	March 5
Quiz 4	March 19
EXAM II	March 26
Quiz 5	April 9
Quiz 6	April 16
EXAM III	April 23

<u>Required Text</u>: *Microeconomics*, 2nd edition, by Austan Goolsbee, Steven Levitt, and Chad Syverson. Worth Publishers, 2016.

The book is available in the OU Bookstore but can also be rented at a reduced rate on chegg.com, amazon.com, etc. Given that you are an economics major and that this is *the* most important course in the economics curriculum, *purchase* of this book is strongly recommended, both for success in this course as well as to serve as a reference for your other economics courses.

Homework and Study Materials: Economics is a subject best learned by "doing." Accordingly, I will post various types of study materials to the ECN 3040 section of my personal webpage here-http://www.sba.oakland.edu/faculty/murphy. You should click on this page and bookmark it as soon as possible. I will post the weekly reading assignment and relevant corresponding study questions from the end of each chapter. (I will also post the solutions to the suggested study problems.) You should check this webpage frequently.

COURSE OUTLINE

- I. Mathematics Review, pp. MR-1 to MR-8.
- II. Theory of the Consumer
 - A. Consumer Preferences, pp. 105-127.
 - B. Consumer's Budget Constraint, pp. 127-134.
 - C. Optimal Choice, pp. 134-142, 147-153, and Ch. 4 on-line appendix.
 - D. Income and Optimal Consumption Choice, pp. 155-163.
 - E. Price and Optimal Consumption Choice, pp. 164-181, 195-199, and Ch. 5 on-line appendix.
 - F. Substitutes and Complements, pp. 181-185.
 - G. Market Demand, pp. 185-189.
- III. General Equilibrium and Welfare
 - A. Basic concepts, pp. 573-586.
 - B. Equity and Efficiency, pp. 587-590.
 - C. Exchange Efficiency, pp. 591-597.
 - D. Input Efficiency, pp. 597-601.
 - E. Output Efficiency, pp. 602-605.
 - F. Markets, Efficiency, and the Welfare Theorems, pp. 605-609.
- IV. Market Failure and Public Policy
 - A. Externalities, pp. 651-676.
 - B. Public Goods, pp. 676-684.

- V. Asymmetric Information
 - A. Adverse Selection, pp. 615-627.
 - B. Moral Hazard, pp. 627-633.
 - C. Principal-Agent Problems, pp. 633-639.
 - D. Signaling, pp. 639-645.
- VI. Investment, Time, and Insurance
 - A. Discounting, pp. 541-547.
 - B. Evaluating Investment Choices, pp. 548-554.
 - C. Uncertainty, pp. 555-558.
 - D. Insurance, pp. 559-567.