

Economics 51 - Economic Analysis I

Instructor:	Gerald Willmann	TA:	Joanna Campbell
office:	Econ 345	office:	Econ 212b
phone:	725-0720	phone:	725-8951
email:	gerald@willmann.stanford.edu	email:	jhcampbl@leland.stanford.edu
OHS:	Th 1-3 and by appointment	OHS:	TBA

Course Content: This class is the microeconomics part of the undergraduate economics sequence. Its purpose is to teach you the basic tools necessary to analyze the behavior of economic agents. We will develop a theoretical model both of consumer and producer behavior. Combining both groups within a market and across markets provides a theoretical framework which is the basis of virtually all economic analysis. The groundwork in this class is essential for later course work in economics. To motivate the concepts and to illustrate the usefulness of these tools we will cover applications as time permits.

Prerequisites: Economics 1 and Economics 180 or Math 51 at Stanford, or the equivalent courses at other institutions. If in doubt about the mathematics requirements, please ask.

Format: We shall meet every Monday through Friday (except for the Independence Day holiday on 7/5) from 11 - 11:50 (AM) in Econ 140.

Textbooks: Hal R. Varian, *Intermediate Microeconomics*, Norton, 5th edition, but previous editions should be fine. Angus Deaton and John Muellbauer (to be referred to as DM), *Economics and Consumer Behavior*, Cambridge University Press. We are going to use only the first part in DM. Both books will be on reserve in Meyer Library and are available at the Stanford Bookstore. Varian is available in paperback abroad for substantially less - check with online bookstores in the UK.

Grading: A weekly quiz, covering the week's material, will be given each Friday (6/25 - 8/6) during the last 20 minutes of class. Answering any given week's quiz is optional up to the moment the quiz question is distributed; that is, you cannot first see the question and then decide not to take the quiz. There will be seven weekly quizzes and the final exam (8/13, 8:30 - 11:30 AM) will consist of eight additional quiz questions. You are responsible for answering exactly ten questions. 80% of your grade will be based on your performance on these ten quiz questions. Note that the more quizzes you take the less time constraint you will be when taking the final. The remaining 20% of your grade will be based on your performance on two homework assignments.

Course Outline:

1. Consumer Theory
 - 1.1. Preferences and Utility
 - 1.2. Budget Constraint
 - 1.3. Utility Maximization
 - 1.4. Dual Approach
 - 1.5. Slutsky Equation
 - 1.6. Buying and Selling
 - 1.7. Labor Supply
 - 1.8. Welfare Measurement, Consumer Surplus
 - 1.9. Intertemporal Choice
2. Theory of the Firm
 - 2.1. Technology
 - 2.2. Cost Minimization
 - 2.3. Profit Maximization
 - 2.4. Monopoly
 - 2.5. Long Run, Short Run
3. Partial Equilibrium
4. General Equilibrium
5. Extensions
 - 5.1. Externalities
 - 5.2. Imperfect Competition
 - 5.3. Uncertainty

Class Material: There will be weekly hand-outs specifying what we will cover that week, the assigned readings for the week, and providing a few practice questions to help you prepare for the quizzes. All class material will be available on the web at <http://www.stanford.edu/class/econ51> in PDF format. You need to have Acrobat Reader (available free from www.adobe.com) installed to read/print PDF.

Important Dates: weekly quizzes each Friday (6/25 through 8/16)
homework 1 due on Monday 7/19 in class
homework 2 due on Monday 8/9 in class
final on 8/13 from 8:30 - 11:30