

April 4, 2008

TO: Dr. Neil Donahue, Dean, HUHC
FROM: Dr. Roberto Mazzoleni, Economics & Geography

RE: INHO Proposal for John Marotta

ECO 130 - INTERMEDIATE MICROECONOMICS, FALL 2008

Syllabus: Sample syllabus for Spring 2005 is attached.

Goals of Honors Option Contract:

The program of the course ECO 130 on Intermediate Microeconomics offered this Fall will follow a conventional curriculum, covering the theories of consumer choice and firm's behavior, as well as the analysis of canonical types of market structures (perfect competition, monopoly, oligopoly, and monopolistic competition). The goal of this honors option is to build upon the regular course program in order to explore in substantially greater depth recent scholarship focusing on the application of economic concepts to the analysis of the boundaries and internal organization of business enterprises. These developments in economic theory provide very important insights in the characteristics of firms that are altogether neglected in the conventional approach to microeconomics. The latter describes the firm as a black box, or in different words, treats firms and individuals as analogous decision-making and behavioral entities. While this approach might be warranted in the theory of resource allocation and prices, modern economic theory has a lot to say about the firm as a complex organization. The goal of this Honors Option is to expose the students to this rich literature.

The readings selected will provide an overview of three distinct areas in the economic analysis of the firm:

A. The scope of the firm

Beginning with Ronald Coase's seminal 1937 paper, economists have developed diverse explanations for the nature and scope of firms. Much of the literature proposes that firms can coordinate certain productive activities more efficiently than alternative governance institutions (markets, contracts, etc.). Others focus on the influence of key business resources in determining the portfolio of business activities that a firm will undertake.

B. Employment relations and internal organization of firms

An important theme of the literature has been the challenge of designing effective incentive structures aimed at motivating employees' effort when their output cannot be easily measured and rewarded.

C. Finance and the control of the firm

Building on Berle and Means's book on the emerging separation of ownership and control in the modern corporation, economic analysis has attempted to clarify the relationship between financial structure of firms and their behavior. Key analytical issue in this literature is how to

monitor corporate management or otherwise how to design incentive structures that promote managerial behaviors that are aligned with the interests of owners.

Readings

Reading materials are drawn from the book:

Louis Putterman and Randall S. Kroszner (eds), "The Economic Nature of the Firm."
(Cambridge University Press, 1996).

The following book chapters will be reviewed:

B. Klein, R. Crawford, and A. Alchian, "Vertical Integration, Appropriable Rents, and the Competitive Contracting Process."

P. Milgrom, and J. Roberts, "Bargaining Costs, Influence Costs, and the Organization of Economic Activity."

D. Teece, "Towards an Economic Theory of the Multiproduct Firm."

A. Alchian, and H. Demsetz, "Production, Information Costs, and Economic Organization."

B. Holmstrom, and P. Milgrom, "Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design."

H. Leibenstein, "The Prisoners' Dilemma in the Invisible Hand: An Analysis of Intrafirm Productivity."

M. Jensen, and W. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure."

H. Demsetz, "The Structure of Ownership and the Theory of the Firm."

Course Requirements

Students will be expected to write three short essays on each of the three areas outlined above. The three essays will be due in their final revised form on December 15th 2008, and are expected to represent an original elaboration of ideas drawn from the readings listed above. Students will be encouraged to submit drafts of the essays soon after completing the reading of the relevant material, and to revise them based on feed-back received by the deadline noted above. I will meet with the students at least once every two weeks in order to discuss with them the assigned readings and the ongoing work on the essays. The specific requirements for the Honors Option will receive a weight of 30% in the determination of the student's grade in this course.

HOFSTRA UNIVERSITY
Department of Economics & Geography
Spring 2005

ECO 130.A – INTERMEDIATE MICROECONOMICS
Barnard 101, MW 4:30pm-5:55pm

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Office Hours: WF 9:15am-11:15am

****PREREQUISITES: ECO 1, ECO2, AND MATH 10**

Introduction

Microeconomics is concerned primarily with studying how markets operate and how well they perform their task of directing the allocation of scarce resources. Markets for different goods and services differ in many respects as anyone can observe in real life. However, the economists' progress toward understanding how markets work has proceeded by distilling from such bewildering variety some basic features of the market mechanism and of the choices involved in the demand and supply behavior of individual consumers and firms. This attempt at painting a generic picture of market-related behaviors and interactions underlies the development of microeconomic theory.

The analytical framework of microeconomics is usually organized by the concepts of market demand and supply. In this course we will examine how economic theory analyzes the decisions made by buyers and sellers in a market and the factors that influence them. The focus is in general on simple and generic descriptions of the relevant choice situations. Although this has a cost in terms of how closely our models resemble real choice situations, it has the advantage of letting us understand more clearly the analytical aspects of the theory we are learning about. Keep in mind that our goal during the semester will be to become familiar with the tools of microeconomics and **especially** how to apply them to the analysis of economic problems.

Your progress in this course will depend heavily on your mastery of analytical techniques, including the use of diagrams and basic calculus. MATH 10 is a prerequisite for the course, and you should make every effort to review the basic elements of calculus as necessary right at the beginning of the semester.

Textbooks

The following textbooks are required for this course:

Mansfield, Edwin, and Gary Yohe, Microeconomics, Norton, Eleventh Edition, 2004.

Mansfield, Edwin, and James Peoples, Microeconomic Problems, Case Studies and Exercises for Review, Norton, Tenth Edition, 2000.

Course Requirements

Attendance and participation in class discussions will count for 10% of your course grade. There will be six homework assignments consisting of a few problems from the textbook. The homework assignments will contribute another 20% of your grade. In addition, there will be two midterm exams and a final. The weights used for determining your course grade are:

Class Attendance and Participation	10
Homework	20
Midterm Exam 1	20
Midterm Exam 2	20
Final Exam	30

Course Schedule and Topics Covered

January 26 – Ch.1, Microeconomics

January 31 and February 2 – Ch.2, Consumer Tastes and Preferences

February 7 and 9 – Ch.3, Consumer Behavior and Individual Demand

February 14 and 16 – Ch.4, Derivation of the Market Demand Curve

February 23 and 28 – Ch.5, Choices Involving Risk

March 2 – Midterm Exam 1

March 7 and 9 – Ch.6, The Firm and Its Technology

March 14 and 16 – Ch.7, Optimal Input Combination and Cost Functions

March 21 and April 4 – Ch.8, Perfect Competition

April 6 – Ch.9, Applying the Competitive Model

April 11 – Midterm Exam 2

April 13 and 18 – Ch.10, Monopoly

April 20 and 27 – Ch.11, Monopolistic Competition

May 2 and 4 – Ch.12, Oligopoly and Game Theory

May 9 and 11 – Ch.13, Strategic Competition

May 16 – Final Exam (4:00pm-6:00pm)