**Advanced Price Theory**

**ECON 304**

**Credit hours: 3**

**Grading: A/B/C/D/F**

**Class meeting time(s): M/W/F: 1:25-2:20**

**Prerequisite Course(s): MATH 201, ECON 163, and ECON 301**

**LAC/Gen Ed designation: None**

**Instructor:**  David Youngberg

**Contact Information:** dyoungberg@bethanywv.edu

x7970

**Office Location:** Morlan 105

**Office Hours:**  Monday & Wednesday 11:30-1:15

Tuesday & Thursday 11:30-3:00

**Website:** http://www.dyoungberg.com

**I. Rationale:**

This course is the second of two upper-level microeconomics courses. Microeconomics is the foundation of all fields of economics with the possible exception of Macroeconomics. Therefore, if you understand the material of this course and ECON 301, you should be able to learn all other economics courses without much problem.

**II. Course Description:**

Advanced Price Theory is a study of general equilibrium and welfare economic analysis, resource pricing, price discrimination, information and time, external costs and benefits, public goods, transportation, and microeconomic foundations of aggregate demand and supply. This course also includes exposure to appropriate mathematical constructs.

**III. Student Learning Outcomes**

By the end of the semester, the students will be able to: understand general equilibrium analysis; describe the market for lemons and related ideas; understand the problems and solutions to negative and positive externalities; understand different forms of price discrimination; find Nash Equilibrium of various simultaneous move games and identify dominate strategies; understand double marginalization; understand present discounted value and other factors related to investment and time; and understand the Cournot, Stackelberg, and Bertrand models.

**IV. Format and Procedures:**

This course is made up mostly of lecture with class discussion and class activities to underline important concepts. Class discussion is paramount to the class, since I find interaction of this sort particularly valuable in understanding the economic ideas and how they fit into the world.

**V. My Assumptions:**

I assume you have a basic curiosity about the world around you. I assume you remember the material from this course’s prerequisites. I assume you will do the indicated readings.

**VI. Course Requirements:**

*Late Work Policy*

Assignments will not be accepted after the answers have been posted on the website. If you turn in an assignment late but before answers are posted, you will get a -10 modifier on your assignment ***per day*** late.

Since all exam dates are listed here, you will be expected to attend. Failure of attendance results in a zero for the exam. *Exceptions will only be made in extreme circumstances (such as a death in the family) and in those cases written proof (such as a death certificate) must be presented.*

*Course readings*

In addition there is a textbook. I have a love-hate relationship with textbooks. They are useful to some students, but rendered redundant by the actual class to others. I’m requiring a textbook because the one I require, *Microeconomics* by Robert Pindyck and Daniel Rubinfeld. For convenience I indicate which chapters correspond to which lecture. You should review the chapter before class. It will help you understand the material when we go over it and may bring up questions to ask. But bear in mind that what I cover is not always the same thing as what they cover; the two are not perfect substitutes.

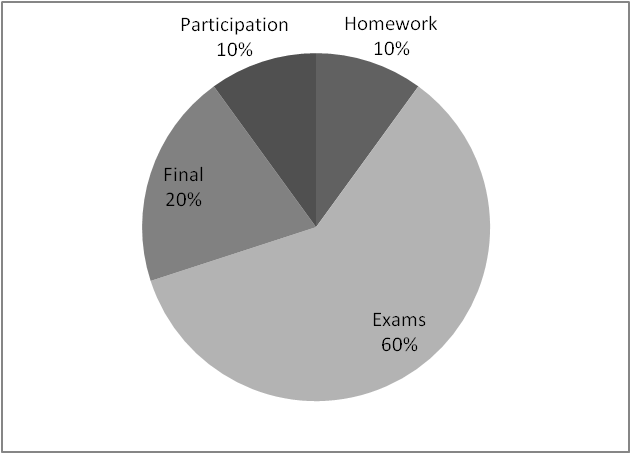
*Calculators*

I will not permit use of graphing calculators or any other calculator which can store equations. The HP 10B and the TI BA II Plus are acceptable in all courses in the Department of Economics and Business. The former is the preferred calculator.

**VII. Grading, Evaluation and Assessment Procedures, including Grading Scale:**

*Weighting of Assignments*

|  |  |
| --- | --- |
| **Assignment** | **Points or Percentage** |
| Homework | 1.25% each (10% total) |
| Exams | 20% each, lowest is 15%, highest is 25% (60% total) |
| Final | 20% |
| Participation | 10% |

*Homework.* There will be a total of seven homework assignments each covering the recent lectures with a mixture of custom questions and ones from the textbook. They must be typed and stapled to be accepted. Staples may be purchased on the day the assignment is due for twenty-five cents each.

*Exams*. The three exams will comprise of short answer and multiple choice and they will closely emulate the homework assignments. Since all exam dates are listed here, you will be expected to attend. Failure of attendance results in a zero for the exam. Exceptions will only be made in extreme circumstances (such as a death in the family) and in those cases written proof (such as a death certificate) must be presented.

*Final*. The final is comprehensive. I suggest you review past exams to help prepare. The exam will be short, though, to fit in a normal class time.

*Participation*. I’m a strong believer that people learn best if they speak up. It’s a good rule not just for learning but for life in general. However because there’s a lot of material to cover, we cannot always have an in depth class discussion. Thus the expectations for participation reflect that—a substantive comment or question once a week will fulfill the requirement just fine.

*Grading Scale (points or percentage needed for specific grades)*

A+ (97+)

A (96.99-93)

A- (92.99-90)

B+ (89.99-87)

B (86.99-83)

B- (82.99-80)

C+ (79.99-77)

C (76.99-73)

C- (72.99-70)

D+ (69.99-67)

D (66.99-63)

D- (62.99-60)

F (59.99-0)

**VIII. Academic Honesty**

Each student in this course is expected to abide by the Bethany College Policy on Academic Honesty (see College Catalogue section on Academic Honesty). Any work submitted by a student in this course for academic credit will be the student's own work.

**IX. Behavioral Expectations, Classroom Etiquette**

You will turn off cell phones during exams and during class. Keep disruptions (e.g. side conversations) at a minimum (aka zero).

**X. Electronic Communication and Course Management**

Students are expected to check their campus e-mail accounts daily. Course changes, suggestions for study, new bibliography, etc. will be posted by campus e-mail.

**XI. Accommodations for students with disabilities**

In compliance with the Bethany College policy and equal access laws, I am available to discuss appropriate academic accommodations that may be required for students with disabilities. Requests for academic accommodations are to be made during the first three weeks of the semester, except for unusual circumstances, so arrangements can be made.

**XII. Tentative Course Schedule:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **#** | **Topic** | **Readings** | **Due** |
| 01/28 | 01 | Review: Competition Model | 16 |  |
| 01/30 | 02 | General Equilibrium |  |  |
| 020/23/1100 AM/01 | 03 | The Edgeworth Box | 16 |  |
| 02/04 | 04 | Efficiency and Gains from Trade | 16 |  |
| 02/06 | 05 | Asymmetric Information | 17 | H1 |
| 02/08 | 06 | The Market for Lemons | 17 |  |
| 02/11 | 07 | Signaling and Counter-signaling | 17 |  |
| 02/13 | 08 | The economics of health care |  |  |
| **02/15** | **No Class—Conference** | | | |
| 02/18 |  | Review |  | H2 |
| 02/20 | **Exam (01/28 – 02/18)** | | | |
| 02/22 | 09 | Introduction to Game Theory | 13 |  |
| 02/25 | 10 | Sequential-Move Games | 13 |  |
| 02/27 | 11 | Simultaneous-Move Games I | 13 |  |
| 03/01 | 12 | Simultaneous-Move Games II | 13 |  |
| 03/04 | 13 | Present Value and Discount Rate | 15 | H3 |
| 03/06 | 14 | Mixed Strategies |  |  |
| 03/08 | 15 | Externalities and Solutions | 18 |  |
| 03/11 | 16 | Externalities and Game Theory |  |  |
| 03/13 |  | Review |  | H4 |
| **03/159/10/11** | **No Class—Midterm Break** | | | |
| **03/18** |
| **03/20** |
| **03/22** |
| 03/25 | 17 | Review: Monopoly Model |  |  |
| 03/27 | **Exam (02/22 – 03/13)** | | | |
| **03/29** | **No Class—Good Friday** | | | |
| 04/01 | 18 | Monopolistic Competition | 12 |  |
| 04/03 | 19 | Oligopoly—Bertrand | 12 |  |
| 04/05 | 20 | Oligopoly—Cournot & Stackelberg | 12 |  |
| 04/08 | 21 | A Location Model |  | H5 |
| 04/10 | 22 | Planned Obsolescence |  |  |
| 04/12 | 23 | Price Discrimination I | 11 |  |
| 04/15 | 24 | Price Discrimination II | 11 |  |
| 04/17 |  | Review |  | H6 |
| 04/19 | **Exam (03/25 – 04/17)** | | | |
| 04/22 | 25 | Double Marginalization I |  |  |
| 04/24 | 26 | Double Marginalization II |  |  |
| 04/26 | 27 | CAPM and Risk Premium | 15 |  |
| 04/29 | 28 | Types of Interest Rates | 15 |  |
| 05/01 | 29 | Public Goods | 18 | H7 |
| 05/03 | 30 | Arrow’s Impossibility Theorem |  |  |
| 05/06 | 31 | Public Choice I |  |  |
| 05/08 | 32 | Public Choice II |  |  |
| 05/10 |  | Review |  | H8 |
| 05/13 | **Final Exam (10:00-12:00)** | | | |

**Note: This syllabus is subject to change at the discretion of the Professor.**