Sarah Lawrence College
Conference Course in Intermediate Microeconomics with Calculus
AY 2015-16

Course description:

This conference course will serve as preparation for graduate study in economics by introducing neoclassical microeconomic theory with calculus from a critical perspective. Neoclassical economists model a world that consists of a so-called rational representative agent with exogenous preferences who makes "optimal" decisions by maximizing utility across time. Analogously, firms are represented as purely profit-maximizing unitary actors who are owned by the representative agent in question. In this world, optimal institutions are costless, agents do not have other-regarding preferences, and contracts are complete. This is the model used by many professional microeconomists to some degree, and it is taught in virtually all undergraduate and graduate economics programs. This course will differ from a traditional intermediate microeconomics course by examining both the neoclassical models *and* criticisms and alternatives, primarily from a neo-Marxian perspective. This school of thought uses some concepts from neoclassical economics, such as the idea of self-interested, goal orientated agents and optimizing behavior. However, it questions other key assumptions such as complete contracting and the ubiquity of optimal institutions. Analysis is often conducted within a class-based framework, and models are developed with strong empirical grounding rather than through pure deduction. Neither this course nor an appropriate substitute are currently offered at Sarah Lawrence College. The student for the course has taken Introduction to Economic Theory and Policy as well as Calculus I, which serve as appropriate prerequisites for the material.

Course objectives:

By the end of the semester, the student will be familiar with key concepts of neoclassical microeconomics, including:

- Consumer theory, including concepts of utility maximization
- Producer theory, including concepts of profit maximization, cost minimization, and market structure
- Neoclassical welfare analysis
- Neoclassical approaches to market failures, such as information asymmetry, public goods, and externalities

In each case, the student will be required to become familiar with the mathematical and conceptual underpinnings of the model, including the assumptions required for tractability. Additionally, the student will study alternative approaches to microeconomic theory, including:

- Theories of coordination failures and institutional responses
- Models of bargaining and rent-seeking
- Failures of the neoclassical model to accurately depict key aspects areas such as preferences, exchange, and labor and credit markets.

Finally, the student will develop a research project in which she chooses an issue to analyze theoretically with both neoclassical theory and an alternative approach. She will then compare the conclusions of the two models regarding policy prescriptions.

Required Texts:
Hal Varian (2014) *Intermediate Microeconomics with Calculus*, W.W. Norton & Company: New York.
Samuel Bowles (2004) *Microeconomics: Behavior, Institutions, and Evolution*, Princeton University Press: Princeton, NJ.

Evaluation and grading

Several assignments will be assessed for the final evaluation and grade. First, the student will submit responses to weekly questions and exercises drawn from the text. These will be discussed at each subsequent meeting. Second, the student will produce a 15-to-20-page research project as described above. Third, the student and I will rigorously discuss the reading assignments to ensure that she understands the material and can apply the skills learned in a variety of cases.

Tentative Schedule

Week	Topic/Readings
1	Course organization/discussion of markets and models • Bowles Prologue • Varian Ch. 1
2	Introduction to evolutionary game theory & institutional change • Bowles Ch. 1 & 2
3	Neoclassical vs. alternative consumer theory: Preferences • Varian Ch. 2 & 3 • Bowles Ch. 3
4	Neoclassical consumer theory: Deriving the demand curve • Varian Ch. 4-6
5	Neoclassical consumer theory: Dynamics of demand • Varian Ch. 7-9
6	Neoclassical market theory • Varian Ch. 14-16
7	Coordination failures and cooperation • Bowles Ch. 4 & 5
8	Neoclassical producer theory I: Technology & the theory of the firm • Varian Ch. 19-20
9	Neoclassical producer theory II: Costs and supply • Varian Ch. 21-24
10	Neoclassical producer theory III: Alternative market structures • Varian Ch. 25-28
11	Neoclassical efficiency & exchange • Varian Ch. 32 & 33
12	Exchange & power • Bowles Ch. 6 & 7
13	Alternative theories: labor & credit markets • Bowles Ch. 8 & 9
14	Neoclassical approaches to market failure • Varian Ch. 35-37
15	Distribution & power in capitalism • Bowles Ch. 10