ECON 203H - Intermediate Microeconomic Theory
Fall 2021

Instructor: Ass. Prof. Ceren Soylu
Email: csoylu@econs.umass.edu

Office Hours: TuTh 8:30AM-9:30AM
Lectures: TuTh 10:00AM 11:15AM

TEXTBOOK
We will use the following textbook:
Samuel Bowles & Simon Halliday, Microeconomics: Competition, Conflict and Coordination (forthcoming with Oxford University Press)
A PDF copy of the textbook will be uploaded on Moodle for your use in this course. Please do not distribute. Additional readings and resources will be posted on the course Moodle site.

COURSE DESCRIPTION
- How do agents – people, firms, communities and governments – make choices? What economic & social outcomes should we expect as a result of these choices?
- When does the pursuit of self-interest by all individuals lead to socially efficient outcomes? When does it lead to outcomes that no one likes?
- What do we do when external effects (externalities) pervade social interactions? People confer benefits on each other and inflict costs on each other, and our social, working, financial, and political lives are therefore interdependent in crucial ways.
- Why do people regularly fail to coordinate on mutually beneficial outcomes? And why is social coordination a major aspect of modern economies?
- Why and how do institutions – laws, social norms, convention, markets – (the ‘rules of the game’) and power affect the way people, firms, communities and governments interact?
- What produces inequality and does it matter for how people interact on a microeconomic scale?
- How do trade and production generate economic gains? What determines the distribution of these gains among different individuals and groups? Are they distributed equally or unequally? Does the distribution of economic gains affect how people behave?
  ***Does how the pie is to be distributed affect the size of the pie that is produced?***
- How does the labor market work? What determines the wage level? Why is there some unemployment in all capitalist economies?
- Why do many companies try to get their employees to sign non-compete clauses? Why do firms’ exercise such power? What happens if no such clauses exist, but companies coordinate as if they did exist, such as with fast food chains and anti-poaching agreements?
- Why might managers favor unstable work hours for their employees even when more stable work hours would be better for them and for their employees? Why don’t they go for win-win outcomes?
- Why do we have such monopolistic markets in technology? What can we do about it?

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1 The Case Against Non-compete Clauses,” The Economist. 19 May 2018. https://www.economist.com/leaders/2018/05/19/the-case-against-non-compete-clauses
• What are the main features of the credit market? How is selling ‘loans’ different from selling apples? Why are the poor generally excluded from credit markets?

These are the kinds of questions we try to ponder and attempt to answer in this course. During the course, we will explore in depth the relation between conflict and coordination and think about questions of efficiency and distribution. The course will also help you deconstruct the role of power, communication and bargaining in economic interactions. All these ideas will be explored with a strong foundation in actual behavioral tendencies of people. Hence, our journey will begin from an age-old challenge: how to coordinate the activities of free individuals, each seeking their own ends, so as to achieve socially desirable results? We will explore this issue using the language and tools of basic game theory. The framework that we will gradually build can be readily applied to the real-world issues which inspired many of you to take a course (or a major) in economics, including global economic development, inequality and environmental sustainability.

Our approach will make it clear that the insights of other disciplines – including history, sociology, philosophy, psychology, law and anthropology – are an integral part of economics. So, the material covered in this course will also set you up to engage more readily in dialog with other disciplines that deal with human behavior, institutions, and the structures of society, and guide your thinking about some of the humanities – history and philosophy – that deal with questions of how society came to be the way it is and about questions of justice and equality.

COURSE ASSESSMENT
The course assessment is broken down in the following way:
• Problem Sets: 24% (See below for details on problem set submission and grading.)
• Quizzes: 14%
• Final Report & Presentation: 12% (See below.)
• First Midterm: 15% (Online, Date: Tuesday, October 5th)
• Second Midterm: 15% (Online, Date: Tuesday, November 16th)
• Final exam: 20% (Date TBD)

Quizzes
There will be regular quizzes (roughly one per chapter) on Moodle to provide the appropriate incentive to keep up with the readings.

The quizzes are multiple-choice or numerical with between 5 and 15 questions. They are open book and open note, but must be completed individually. Discussing answers or questions with a classmate, looking at the quiz on a classmate’s computer, or allowing a classmate to look at the quiz on your computer are violations of the Academic Honesty policy.

You can take the quiz as several times (specifics will depend on the quiz) until it is due and only the highest score will count. I will drop your two lowest quiz scores, so each quiz is worth 2% of your course grade. If you complete and get full credit on all the quizzes, your grades from the two quizzes will be weighted accordingly and will be added to your final cumulative point grade as extra credit.

Barring truly exceptional circumstances, there will be no make-up quizzes. If you wait until the last minute to take the quiz the first time, you may not have time to take it again if you are unhappy with your score. Even if you do not complete a quiz, you are still responsible for learning the content covered in that quiz.

Problem Sets Submissions and Grading

Submission For submission of each problem set, you will follow the steps outlined below. The report (steps 3 and 4 below) is not required but I strongly recommend that you work on it as it will significantly improve your understanding of the topic, and it will help your grade!

1) You will submit your answers to the questions of the assignment on Moodle by the deadline stated on the assignment.
   • The file you submit on Moodle has to be a .pdf file named as follows: [LASTNAME]_PS[#]
   • You are not required to type your answers. You can submit a scan of your handwritten solutions.
     (There are many scanning apps available free of charge for smart phones. Using your phone may be more practical than having to find a scanner.)

     *****If you submit in another format, or you name your file differently you will lose 2 points.*****

     Please contact me ASAP if you have any difficulty or need help with converting files to .pdf and scanning your solutions.

2) I will post the solutions for that assignment on Moodle right after the deadline. Accordingly, late submissions of assignments as defined in (1) cannot be accepted.

3) With the solutions available, you will review the answers you have submitted. The aim of this part is to make sure that we have an opportunity to address any confusions sooner rather than later as the course material is cumulative; what you learn/not learn now will have significant effects on your learning future topics! The basic idea is that you review your answers given the solutions and identify the parts you missed or answered incorrectly. For each such part you need to write a short reflection/report explaining why you answered the way you did and what was mistaken about it. (My most important advice is to always ask yourself “why do we think/analyze this way” when studying the material, and, of course, during the lectures.)

Below are some example templates to give you a better idea, but you are free to write it in any way that works for you and can be easily interpreted by someone else (i.e. me).

- I answered as … because I had thought that … . I was mistaken because …
- I had thought that … because …. I understand the solutions but I don’t see what is wrong with my thinking/answer.
- I had thought that … because …. I don’t understand why the answer is … rather than …

4) You will submit your report on Moodle by the stated due-date.

Grading Your grade from each problem set will be calculated as follows: After you submit your self-reflections, I will grade your initial submission, as defined in (1) above, considering your reflections, for each part of the assignment where you missed points. If your corresponding reflections is satisfactory (as explained in (3) above) you will earn half of the points you had initially missed. For example, say your initial submission earned 15 out of 25 points on one of the questions. You may earn half the points you missed (0.5*10 = 5) based on the reflection/report you submitted, hence get 20 points rather than 15.

Final Report: A fact about the world

You will write one “microeconomic report” this semester later in the semester. The main idea is that you identify an economic fact about the world and then you write a theory to explain why that fact may be true.
Your idea could also be inspired by policy or other concerns. The report should not be longer than 4-5 pages (around 1000 words).

There will also be a reflective writing component where you reflect on what you have learned in this course and how it affected your broader perspective.

I’ll provide detailed guidelines as we proceed.
COURSE POLICIES

Lectures:
This is a fully remote class with synchronous sessions at our scheduled class time.

Each lecture video will be recorded and posted on the course website on Moodle, and it will be available for viewing until the end of the semester. (Also see the related note at the beginning of this syllabus.) Lecture notes, readings and other resources will be posted on Moodle as well.

The “Virtual Classroom” on Moodle:
As an additional virtual meeting space, we also have an online platform, the “Virtual Classroom” forum on the course Moodle site, for discussing course-related questions. You can post questions and answer each other’s questions on this forum. I want you to be able to communicate with each other about content in the course and to collaborate when you need help. You can learn a lot by asking questions, helping to answer other people’s questions, and thinking out loud about different ideas you have. Also, when you post, you’re providing a public service, a resource that others can use which is a helpful and community-minded thing to do. While responding to/commenting on someone else’s post, you should not worry about providing incorrect or incomplete information as I will be monitoring the forum to clarify any confusions and respond to your questions. So, in the process, you will have checked your understanding as well by way of your comments on others’ questions.

I will kindly ask you to post any questions regarding the course logistics, course material and the assignments on this forum rather than sending me an email. In all likelihood, you want to ask a question the answer to which many people will benefit from, which is why I strongly recommend posting to the forum.

I am always happy to provide hints and help out with the assignments. I am more comfortable doing so, and I provide more extensive help, if the question is posted on this forum as I know that the information/instruction that I provide will be available to everyone in the class; hence, eliminating any issues of fairness.

Email & Communication Policy:
I encourage you to email me about issues that pertain to you personally. I shall do my best to respond to email within 24 (business) hours, i.e. within one day during the week and by the end of Monday if you sent the email on Friday or over the weekend.

I will not answer detailed conceptual questions about problems sets or course material in emails. If you have such questions, come by my office hour or schedule a meeting, or post to the Virtual Forum on Moodle (see above).

For course related questions, please first check the syllabus, Moodle and your emails for the announcements I send to the class.

Missed Assignments and exams:
Late submissions of assignments will not be accepted, as solutions will be posted right after the due date. In documented extenuating circumstances, I reserve the right to make reasonable arrangements.

Make-up exams will be given only in case of documented medical emergency, bereavement, court appearance, and in accordance with the University regulations concerning exam conflicts.

Academic Honesty Policy Statement:
Since the integrity of the academic enterprise of any institution of higher education requires honesty in scholarship and research, academic honesty is required of all students at the University of Massachusetts Amherst.

Academic dishonesty is prohibited in all programs of the University. Academic dishonesty includes but is not limited to: cheating, fabrication, plagiarism, and facilitating dishonesty. Appropriate sanctions may be imposed on any student who has committed an act of academic dishonesty. Instructors should take
reasonable steps to address academic misconduct. Any person who has reason to believe that a student has committed academic dishonesty should bring such information to the attention of the appropriate course instructor as soon as possible. Instances of academic dishonesty not related to a specific course should be brought to the attention of the appropriate department Head or Chair. The procedures outlined below are intended to provide an efficient and orderly process by which action may be taken if it appears that academic dishonesty has occurred and by which students may appeal such actions.

Since students are expected to be familiar with this policy and the commonly accepted standards of academic integrity, ignorance of such standards is not normally sufficient evidence of lack of intent.

For more information about what constitutes academic dishonesty, please see the Dean of Students’ website: http://umass.edu/dean_students/codeofconduct/acadhonesty/

The University of Massachusetts Amherst is committed to providing an equal educational opportunity for all students. If you have a documented physical, psychological, or learning disability on file with Disability Services (DS), Learning Disabilities Support Services (LDSS), or Psychological Disabilities Services (PDS), you may be eligible for reasonable academic accommodations to help you succeed in this course. If you have a documented disability that requires an accommodation, please notify me within the first two weeks of the semester so that we may make appropriate arrangements.
TIPS
We will cover a wide range of topics throughout the semester, and although our discussion will always be motivated by some real-life examples, as we move to the theoretical analysis the new language and concepts may be overwhelming. At this background, here are some keys to doing well in this class:

**Keep up:** Concepts build on each other and we will move quickly through topics. If you wait until right before a problem set due date or exam to make sure you understand the material, you may have difficulty catching up. Read through the chapters before class, do not spend too much time on understanding the new concepts but just make sure to have some familiarity prior to the lecture. Once we cover the topic in class, go back and read the chapter again and check your understanding. Review each lecture and make sure that you clarify any confusions either in the next lecture or during office hours. Start working on the problem sets as soon as they are posted, and once the solutions are available, make sure to review your answers.

**Recreate:** Try to recreate the graphs and examples from lecture and the book without your book or notes. Carefully study the diagram, then close your notes or book and try to recreate the graph. The goal is not to be able to draw from memory, but to understand why each line or curve was placed on the diagram and what it tells us. As you draw the diagram, try to think of what would cause the lines or curves in the diagram to move and how they would move.

**Explain:** Practice explaining in addition to doing problems. To succeed in this course, you need to be comfortable with theoretically analyzing a relevant topic, to understand why your analysis is a good explanation and what is it missing, and to apply ideas in different contexts. In order to be able to these you need to always check your understanding of the intuition behind the technical components. Be like a toddler and tirelessly ask “WHY?” for each and every step of the analysis that we conduct. Practice explaining new ideas to your classmates, your roommates, your friends, your parents or anyone else you can convince to listen. Try to find examples of what we learn in class in your life and in real life. Read in the newspaper, the Economist, economic blogs, or other sources and try to use the models from class to explain the article.

**Ask for help:** If you find yourself struggling with an idea, ask for help as soon as you can. You can post your questions to the aforementioned Virtual Classroom forum on Moodle to get a discussion started with me and others in the class. If I believe that your question will be better addressed by way of a meeting, I will ask to set up a Zoom meeting. Also, I’m always available during my office hours. I’m also happy to make appointments outside of office hours.

**Problem Sets:** The problem sets are designed to be learning experiences, giving you practice working with and applying the concepts from class. The questions are intentionally challenging and not simply examples from class with different numbers. In many cases, you may need to think about a problem for a while before you will see how to answer the question.

I strongly encourage you to work on these problems (and your problem sets) in groups, with two caveats: First, you must prepare and submit your own answers - your own explanations of how you arrived at a solution, your own step (or mis-step) when arriving at a mathematical answer, etc. Second, I highly recommend that you try the assignment individually first. This will be helpful in two ways. First, you are more likely to do well on the midterm and final by getting practice through the assignments. (Remember, you can’t work together on the midterm and final exams.) Second, both you and your classmate are more likely to do well on the assignment itself by putting two separate minds on it.

Always review your answers as soon as the solutions are available, while your memory of your reasonings is still fresh. You should do so regardless of the point grade you get: Given my grading method, you may get a high point grade but get many parts of the problem set incorrect.

**Feedback – sooner rather than later!** If you have feedback or concerns, bring them up with me sooner rather than later. If there’s something that we can adjust right away, I will try my best to do so.
The following schedule is **tentative** and subject to change.

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<tr>
<th>Dates</th>
<th>Topic</th>
<th>Reading*</th>
<th>Important Dates</th>
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<tbody>
<tr>
<td>Th Sep 2</td>
<td>Introduction</td>
<td>Preface/Notes</td>
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<tr>
<td>Tu Sep 7</td>
<td>Society: Coordination Problems &amp; Economic</td>
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<td>Th Sep 9</td>
<td>Institutions</td>
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<td>Tu Sep 14</td>
<td>People: Preferences, Beliefs &amp; Constraints</td>
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<td>Constrained optimization: Doing the Best You Can</td>
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<td>Tu Sep 28</td>
<td>Property &amp; Exchange: Mutual Gains &amp; Conflicts</td>
<td>Ch 4</td>
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<td>Coordination Failures &amp; Institutional Responses</td>
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<td>Tu Oct 19</td>
<td>Competition, Rent-Seeking &amp; Market Equilibrium</td>
<td>Ch 9</td>
<td>Quiz 5 by F Oct 22</td>
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<td>Tu Oct 26</td>
<td>Information: Contracts, Norms &amp; Power</td>
<td>Ch 10</td>
<td>Quiz 6 by F Oct 29</td>
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<td>Tu Nov 2</td>
<td>Jobs, Unemployment, &amp; Wages</td>
<td>Ch 11</td>
<td>Quiz 7 by F Nov 5</td>
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<td>Th Nov 11</td>
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<td>LAST CLASS—Review/Presentations</td>
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*Check Moodle for additional readings.