ECO 507: APPLIED MICROECONOMIC THEORY
Spring 2013
Professor Tae-Hee Jo

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CLASS HOUR Wednesday 6:00-8:40 PM, CLAS B108

OFFICE HOUR MWF 11:00-11:50, or by appointment

COURSE DESCRIPTION This course examines contending approaches to microeconomic theories and their applications focusing on the issues including, but not limited to, consumer behavior, business enterprises’ strategic decision making process, consequences of business activities (e.g. cycles, growth, and welfare), and market governance/regulation. Multiple analytical techniques (mathematical, descriptive, graphical, narrative, historical, etc) will be employed in order to explain the nature and scope of microeconomic problems. Students are expected to understand and critically examine theoretical frameworks and arguments so that they can develop analytical skills to deal with real world problems. Competing explanations and policy suggestions will be considered—especially, heterodox ideas and approaches are stressed. Throughout the course students are frequently asked to think about following principal questions: 1) Is the law of demand-supply relevant to the account of real world economic activities? 2) Are individual consumers rational and sovereign? 3) Is making greater business profits good for the public? 4) Does the state always serve public interests?

PREREQUISITES Although it is not required, a course in intermediate or higher level microeconomics is highly recommended before taking this course.

RECOMMENDED TEXTBOOKS

- Any intermediate or higher-level microeconomics textbooks may be useful to understand mainstream-neoclassical microeconomic theory.
This course will be graded on the college’s approved A-E letter grading scale. The final grade will be based on the following assignments:

- **Class participation** (attendance and discussion): 10%
- **Mid-term exam**: 30%. March 6
- **Final exam**: 30%. May 15.
- **Term paper**: 30%. Proposal due on March 13. Paper due on May 8, 6:00 PM. On-line submission through “Turnitin”.

Students who engage in plagiarism on the term paper and cheating on examinations, multiple submission of the same work, unauthorized collaboration, falsification and/or any other violation of academic integrity will receive an “E” grade in the course. Read carefully the official policy on academic misconduct at [http://www.buffalostate.edu/academicaffairs/x607.xml](http://www.buffalostate.edu/academicaffairs/x607.xml).

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### Course Schedule, Outline, and Reading Lists

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<th>Notes on Reading Materials</th>
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<tr>
<td><strong>Angel</strong>: Material placed on Angel</td>
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<tr>
<td><strong>Res</strong>: library reserve. Students can borrow reserved books from the library circulation desk.</td>
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<tr>
<td><strong>Web</strong>: search BSC on-line journal database: <a href="http://library.buffalostate.edu/research/articles.php">http://library.buffalostate.edu/research/articles.php</a></td>
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<tr>
<td><strong>Online</strong>: free on-line materials.</td>
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* required reading

*If anyone has a problem in getting reading materials, contact the instructor.*

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**Week 1**  
*January 30*

**Economics: History and Methodology**

- History of Economic Thought
- What is economics? Optimal allocation vs. Social Provisioning Process
- Orthodoxy vs. Heterodoxy
- Values, Ideology, Philosophy, and Methodology
- Theory, Models, and Reality

**Readings**


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1. Note that at the graduate level, grades of C or higher are applied toward credit requirements for a master’s degree. Grades of C- or lower are not used to satisfy degree requirements. Grades of C- or lower may be repeated. Graduate students are required to maintain a minimum GPA of 3.0 in all graduate coursework.

2. Problem sets will be distributed prior to the exams.

3. Guidelines will be posted separately.


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**Week 2**

**Microeconomics: Overview**

- Neoclassical and Heterodox Microeconomics
- Microfoundations and Macrofoundations
- Agents, Structures, and Causal Mechanisms
- Surplus Approach

**Readings**


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**Week 3**

**Theories of The Business Enterprise**

- Neoclassical theory of the firm
- Heterodox theories of the business enterprise

**Readings**
2. Veblen. 1904. *Theory of Business Enterprise*; Chs. 1, 2, and 3. [online: see the link above]

**Week 4**

**Production and Costs I: Orthodoxy**

*Feb. 20*

- Neoclassical theory of production and costs
- Duality: Profit maximization and Cost minimization
- Law of Supply

**Readings**

1. See any intermediate/advance microeconomics textbook

**Week 5**

**Production and Costs II: Heterodoxy**

*Feb. 27*

- Business Enterprise in the monetary production economy
- Cost accounting

**Readings**


**Week 6**

**Midterm Exam**

*March 6*

**Week 7**

**Consumer Behavior and Demand I: Orthodoxy**

*Mar. 13*

- *Homo Economicus* and rational individuals
- Utility maximization
- Market demand
- Law of Demand

**Readings**
1. * See any intermediate/advance neoclassical textbook.

**Week 8**  
Mar. 20

**Consumer Behavior and Demand II: Heterodoxy**

- *Homo Socialis* and embedded individuals
- Heterodox Principles of consumption behavior
- Social formation of preference and needs
- Consumerism

**Readings**

1. * Veblen. T. 1898. The Theory of Leisure Class; ch.4 (Conspicuous consumption) [online]

**Week 9**  
Mar. 27

Spring Break

**Week 10**  
Apr. 3

**Pricing and Price**

- Price and Pricing
- Scarcity and Reproducing
- Pricing mechanisms

**Readings**


**Week 11**  
Apr. 10

No Class (conference)
Week 12

**Investment and Financing**

*Apr. 17*

- Strategic business decisions
- Connections: Pricing, Price, Financing, and Investment

**Readings**


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Week 13

**Markets and Industry**

*Apr. 24*

- Market competition: perfect competition, oligopoly, and monopoly
- Self-adjusting market, Market Failure, and Government failure
- Market governance, Market regulation, and Industrial policy

**Readings**


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Week 14

**Microfoundations of Macroeconomics**

*May 1*

- The principle of effective demand
- Business Enterprise, Business Cycles, and Economic Growth
- Stagnation Thesis
- Financial Instability Hypothesis

**Readings**


**Week 15**

**May 8**

**Social Welfare and Social Control**

- Welfare and Pareto Efficiency
- Surplus Approach
- Social control and social policy

**Readings**


3. Veblen. 1904. The Theory of Business Enterprise. Ch. 7. [online]


**Week 16**

**May 15**

**Final Exam.**