

# AAEC 5026: Applied Microeconomics (2)

## Spring 2007: Dept. of Ag. and Applied Economics, Virginia Tech

---

**Days, Hours & Location:** Tuesdays & Thursdays, 3:30pm – 4:50pm, Whittemore 349

**Professor:** Jaren C. Pope  
313 Hutcheson Hall  
Phone: 231-4730  
[jcpope@vt.edu](mailto:jcpope@vt.edu)  
Website: [filebox.vt.edu/users/jcpope/](http://filebox.vt.edu/users/jcpope/)

**Office Hours:** Tuesdays & Thursdays from 9:00am – 10:00am. Also by appointment

**Required Text:** Walter Nicholson, Microeconomic Theory, 9<sup>th</sup> Ed. (approx. \$125 at the bookstore)

**Prerequisites:** MATH 1526, ECON 3004 ECON 3104, and AAEC 5025 or equivalent

### **Course Description and Objectives:**

Microeconomic theory is the heart and soul of modern economics. A thorough understanding of the most commonly used theoretical models in microeconomics is essential for a professional economist. AAEC 5025 taught the basic principles of consumer and producer theory using both graphical and calculus based methods. The framework was one of perfect competition and no uncertainty. In this course (AAEC 5026), this neoclassical framework provides a benchmark from which the topics of general equilibrium and welfare, externalities and public goods, imperfect competition, uncertainty and risk aversion, information economics, and political economics can be contrasted. Ideally, a student that completes this course will be able to apply the theoretical models from these topics to the functioning of a wide variety of markets, individuals and organizations in the world around them. Both the theory and the application of the theory will be highlighted in this course.

### **Grading Weights:**

Class Participation.....	5 %
Idea Notebook.....	10 %
Problem Sets.....	20 %
Midterm Exam .....	20 % or 30 %
Cumulative Final Exam.....	35 % or 45 %

*(The weighting of the midterm and final will be such that it maximizes your final score)*

### **Class Participation:**

Class attendance and participation increase the likelihood that a student will perform well in this class. In fact, attendance and constructive participation can produce significant *positive externalities* (a concept studied in this course) to the class. Any student who *rarely* misses class and actively contributes to class discussion will receive full class participation points.

### **Idea Notebook:**

Successful graduate students (and professors) in economics approach schooling and the happenings in the world around them with an inquisitive mind. They are constantly asking *why* certain economic phenomena occur, *how* they relate to economic theory, and *what* are the causal relationships between economic inputs and

economic outcomes. To foster this exploration in economic and empirical thought, each student will be given an idea notebook. This notebook is to be used by the student throughout the semester to catalog empirical research ideas related to the class and economics in general. Each student will be required to take ten of the ideas from the notebook and describe in more detail the thought provoking economic question, the hypothesis, and the method for testing the hypothesis. Each fleshed-out idea should be written on a single page and submitted at designated times throughout the semester. Students will also be asked to present their “best” idea to the class at the end of the semester. The idea notebook will be discussed in more detail at the beginning of the course.

### **Problem sets:**

There will be approximately 9 problem sets that I will hand out throughout the semester. These assignments will often be exercises from the Nicholson text but may also include other problems to work out as well. Students are encouraged to try to do the problems first on their own, and then to work in small groups to help one another better understand how to solve the problems. Typically one week will be given to complete each problem set. *Late problem sets will not be accepted.*

### **Exams:**

The midterm exam will be given during class approximately midway through the semester. The cumulative final exam will take place at the university assigned time and location.

### **Grading Procedure:**

Grades will be calculated as follows: (1) Scores for class participation, idea notebook, problem sets, midterm exam and cumulative final exam will be totaled and weighted according to the “grading weights” described above. (2) A distribution of grades will be determined based on a subjective evaluation by the professor based on natural breaks in the distribution to determine point cutoffs for each letter grade.

## **Additional Course Information**

### **Virginia Tech Honor System:**

Students are expected to abide by Virginia Tech’s Graduate Honor System in this class. Complete information on the graduate honor system can be found at: <http://ghs.grads.vt.edu/>. By writing their name on an exam, or turning in a problem set or idea notebook, the student is agreeing that they have neither given nor received unauthorized assistance. Furthermore, the student through their actions is stating that they are not aware of anyone else giving or receiving unauthorized assistance. Report any suspected incidence of cheating to the professor. Students are allowed to discuss the problem sets and the idea notebook with their classmates, but each student must complete and turn in their own assignments.

### **Special Needs:**

If you need adaptations or accommodations because of a disability (learning disability, attention deficit disorder, psychological, physical, etc.), if you have emergency medical information to share with the professor, or if you need special arrangements in case the building must be evacuated, please make an appointment with the professor as soon as possible.

### **Statement of Impartiality:**

The professor will attempt to perform grading in a fair and impartial manner. This means that he will rarely grant individual exceptions to established policies. For example, there is no extra credit, and missing a problem set or exam results in a zero except for in rare, documented circumstances. He is happy to correct obvious grading errors, but will not reward students with a higher propensity to argue for more points after an assignment or exam. To do so would unfairly bias the grading distribution.

**Preliminary Course Outline**  
**AAEC 5026: Applied Microeconomics (2)**  
**Spring 2007 -- Pope**

DATE			TOPIC	NICHOLSON CHAPTER	ASSIGNMENT DUE
Jan.	16	T	Introduction		
	18	TH	Big Picture Day		
	23	T	Review of Partial Equilibrium Competitive Model	10&11	
	25	TH	General Equilibrium and Welfare	12	PS 1
	30	T	General Equilibrium and Welfare	12	
Feb.	1	TH	General Equilibrium and Welfare	12	
	6	T	Externalities and Public Goods	20	PS 2
	8	TH	Externalities and Public Goods	20	
	13	T	Externalities and Public Goods	20	
	15	TH	Externalities and Public Goods	20	
	20	T	Monopoly & Traditional Models of Imperfect Competition	13&14	PS 3
	22	TH	Monopoly & Traditional Models of Imperfect Competition	13&14	
	27	T	Review / Catch Up		PS 4
Mar.	1	TH	<b>Midterm Exam (In Class)</b>		Idea Notebook Check
	6	T	<i>Spring Break</i>		
	8	TH	<i>Spring Break</i>		
	13	T	Game Theory	15	
	15	TH	Game Theory	15	
	20	T	Game Theory Models of Pricing	15	PS 5
	22	TH	Game Theory Models of Pricing	15	
	27	T	Uncertainty and Risk Aversion	18	PS 6
	29	TH	Uncertainty and Risk Aversion	18	
Apr.	3	T	Uncertainty and Risk Aversion	18	
	5	TH	Economics of Information	19	PS 7
	10	T	Economics of Information	19	
	12	TH	Economics of Information	19	
	17	T	Economics of Information	19	
	19	TH	Political Economics	21	PS 8
	24	T	Political Economics	21	
	26	TH	Idea Notebook Presentations		PS 9
May	1	T	Big Picture Day and Review		
	8	T	<b>Comprehensive Final Exam</b>		Idea Notebook Check

Disclaimer:

The above schedule, policies, and assignments in this course are subject to change in the event of extenuating circumstances or by mutual agreement between the professor and the students.