Syllabus for HPM 203b: Applied Microeconomics,
Department of Health Policy and Management,
UCLA

Time and Location
  Lecture: tba.

Instructor
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Prerequisite
  The course employs differential calculus so some familiarity with that subject is useful.

Overview and Objectives
  This course develops the essential tools for the application of microeconomics to policy issues. It derives these methods from the basic axioms of utility maximization, and emphasizes their application to the evaluation of business and policy alternatives. As such, it provides a critical foundation for those seeking to apply economic analysis to issues in public policy. This course
emphasizes the basic concepts of microeconomics and illustrates them with numerous applications. Its learning objective is to provide a foundation for those seeking to apply economic methods to the analysis of public policy issues.

The best way to learn microeconomics is by applying it to examples, and we will do so extensively in class and through homework problems. This course emphasizes applications of the theories of profit maximization and market processes.

The foundation of the course is the problem sets which are assigned each week to be returned the following week. The underlying premise is that economics is best learned by doing economic problems so they play an essential role. For this reason, all exams are given on an “open-book, open-notes” basis where the questions posed are new economic problems to be solved.

Grading

There will be weekly homework assignments (20%), a mid-term exam (40%), and a final exam (40%).
Textbook


Lecture Plan

**Topic 1: Theory of Production**
- production functions including Cobb-Douglas and fixed input examples
- derivation of isoquants
- optimization methods and determination of optimal input demands
- economies of Scale and Euler’s theorem

**Topic 2: Cost Curves and Duality**
- derivation of cost curves
- application to Cobb-Douglas production functions

**Topic 3: Production and Firm Behavior**
- profit maximization under competition and monopoly
- price discrimination and role of demand elasticities
- derivation of input demands
- role of costs in price determination under competition and monopoly
Topic 4: Extensions of Monopoly Model
- dominant and fringe firms
- vertical structure and successive monopolies
- regulated monopoly
- monopsony

Topic 5: Normative and Policy Issues (1)
- maximizing consumer and producer surplus
- contrast with profit maximization
- Ramsey pricing
- applications

Topic 6: Normative and Policy Issues (2)
- Peak load Pricing issues
- role of capacity constraints
- applications

Topic 7: Mid-term Exam
- review session
- return and discussion of exam

Topic 8: Oligopoly models
- implications of mutual interdependence for price setting
- Bertrand and Cournot behavior
- price setting by cartels

**Topic 9: Game Theory**

- the prisoner's dilemma and price setting
- the tragedy of the commons
- Nash equilibria solutions
- Bargaining models
- applications

**Topic 10: Review of all material**

- prepare for final exam