

Professor: Mehdi Shadmehr  
E-mail: mshadmeh@gmail.com  
Office: 2081 Harris School

*“Stay Hungry,  
Stay Foolish.”*

## Microeconomics for International Development

**Prelude.** People, typically, think that economics is that branch of social sciences that *only* studies the economy, e.g., markets, consumption, investment, labor, capital, firms, insurance, etc. This view is obsolete. Economics, specially, microeconomics is that branch of social sciences that studies human behavior, not only in the context of economic transactions, but in almost any context in which individuals or groups make decisions. Traditionally, of course, economics was restricted to the study of decisions in the context of economic transactions; not anymore. Today, economists also study human behavior in many other areas, including voting behavior, lobbying, congressional negotiations, protest and revolution, wars, supreme court decisions, policy making in parliamentary versus presidential systems, organizational design, search algorithms on the internet, etc. Then, one might wonder what makes economics...well...economics? That is, what distinguishes economics from psychology, sociology, political science, anthropology, or even marketing and management? The answer is two-fold: (1) of course, there are some differentiation in subjects of study, e.g., economists typically do not study post traumatic stress syndrome or cures to depression, but more importantly, (2) economists have a particular approach to study human behavior, and it is this distinct methodology that differentiates economics from other disciplines. In this course, we are going to learn about this methodology. That is, we are going to learn “the economics approach” to human behavior.

---

---

*“Keep Looking, Don’t Settle!”*

### **Required Material:**

Nechyba, Thomas J. 2017. *Microeconomics: An Intuitive Approach. 2nd Edition.* Boston, MA: Cengage Learning. Available through your CENGAGE UNLIMITED access.

### **Recommended Material:**

Ray, Debraj. 1998. *Development Economics.* Princeton: Princeton University Press. Chapters 11-18.

Dixit, Avinash, and Barry Nalebuff. 2010. *The Art of Strategy: A Game Theorist’s Guide to Success in Business and Life.* New York, NY: Norton & Company.

Ariely, Dan. 2010. *Predictably Irrational: The Hidden Forces that Shape Our Decisions. Revised and Expanded Edition.* NY: Harper Perennial.

---

---

## Grades...but

*“The Only Way to Do Great Work Is to Love What You Do.”*

**Assignments** (72%): one per week for nine weeks    **Final** (28%): as scheduled

We will have 10 weeks of classes and 19 lectures—the first week only has one class on Wednesday. There will be an online assignment for each of the second to the tenth week. The assignment for each week is due on at Wednesday noon of the following week. Each assignment constitutes 8% of the total grade, summing up to 72%. There will be a final exam, which constitutes the remaining 28% of the grade.

---

---

Table 1: **Course Outlines**

Date	Topic	Reference
week 1 (Oct 2)	Basics	
week 2 (Oct 7-9)	Monopoly	Ch. 23
week 3 (Oct 14-16)	Adverse Selection and Moral Hazard	Ch. 22
week 4 (Oct 21-23)	Optimal Resource Allocation	Ch. 11-13
week 5 (Nov 28-30)	Competitive Markets	Ch. 14-15
week 6 (Nov 4-6)	Distortions: Price Control, Taxes, and Tariffs	Ch. 18-20
week 7 (Nov 11-13)	Market Failures: Externalities	Ch. 21-22
week 8 (Nov 18-20)	Social Decisions: Public Goods & Preference Aggregation	Ch. 27-28
week 9 (Nov 25-27)	Individual Decisions: Income & Substitution Effects	Ch. 2-9
week 10 (Dec 2-4)	Economic Approach to Leadership	