

## Introductory Microeconomics Fall 2005

Economics 102.04  
Introductory Microeconomics  
Fall 2005  
MWF 12:30-13:20 Higley 117

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### **1. Course Objective:**

This course is an introduction to microeconomics. Unlike macroeconomics (that focuses on the economy as a whole) microeconomics focuses on the activities of households and firms. The topics we will analyze include the pricing of goods and services, consumer decision-making, the theory of the firm, market structure, factor markets, economic inequality and international trade. Studying microeconomics can give us perspective on our own economic decisions, as well as inform us as citizens on important political economic issues. The main objectives of the course are:

- To provide students with the theoretical knowledge behind microeconomic policy-making including a variety of methods and models used for this purpose.
- To introduce existing debates and controversies in microeconomics to the students by examining different schools of thoughts.
- To enable students to develop necessary skills to apply the methods and models to policy making as well as current economic debates.
- To explore how to make rational decisions using information about the costs and benefits of alternative actions and to teach students the economic way of thinking.

### **2. Course Structure:**

The course is designed around lectures, assigned readings from the textbook and from various articles, films, and class discussions. The students are expected to come to each class after having read the assigned readings, and to participate in classroom discussions. The topics covered in the lectures will overlap the materials found in the textbook. However, the lectures and discussions will, on occasion, cover some materials that are not found in the textbook or in the assigned readings. Students will be responsible on examinations for ALL ASSIGNED MATERIALS. Note, since each examination will include some material that is not in your textbook, it is strongly recommended that you attend the formal lectures.

### **3. Course Requirements:**

The final grade will be based on your performance from: a) three midterm exams (15% each) and a comprehensive final exam (25%); b) a research paper (15%); c) seven homework assignments due on the following week or on the last class before each exam and three short evaluation reports (1-2 page) on the films shown (10%); d) class participation (5%).

### **4. Exam Structure:**

They will be a combination of multiple choice and short answer questions and short essays and will be given in class. We will have a review session prior to each exam.

### **5. Policy on Make-up Exam**

There are no make-up midterms and your midterm grades will be calculated on the basis of the midterms you are present. If you miss a midterm because of a valid reason the weight of your final will be increased by 15 points. If you do not take a midterm without providing a valid justification you will obtain a score equal to zero.

### **6. Homework Assignments**

There will be seven homework assignments distributed one-week before due dates. Late submissions will not be accepted. There will also be three short evaluation papers (1-2 pages) on the films assigned. The papers should analyze the films from an economic perspective using the methods and tools learned throughout the semester and are due on the following Monday after the films. The students are encouraged to watch the films on the assigned date, yet they can also watch them on their behalf in the library.

### **7. Textbook and Additional Readings**

The textbook for the class is Michael Parkin (2005), *Microeconomics*, Seventh Edition, Pearson Addison-Wesley. The text Web Site is <http://www.MyEconLab.com/>.

Additional required readings are available either through www or will be available in our website.

The students are expected to do the required readings before the associated class, but are not always expected to understand it all; often, especially with the text, it is helpful to look at it again after the relevant class. Questions regarding the assigned readings and topics prior to each class are welcome. I will return your e-mails within 24 hours.

### **8. Class Participation**

Class participation includes attendance, your questions and answers and participation in class discussion. You are expected to attend class regularly, read the assignment listed for that date, and participate in class discussion.

## **9. Term Paper**

On a topic related to the course and using the concepts of the course, write a one-paragraph proposal and have the topic approved before the first midterm. You may want to analyze a particular public policy in terms of the economic theory and how well the policy might work. Some other possible topics include but are not limited to: determinants of demand and supply, effects of advertisement on consumer demand, imperfect competition and market failures, effects of externalities, sources of income inequality and discrimination, sweatshops and trade with developing countries. More detailed information on the structure of the paper will be given in the later parts of the course. The due date for the paper is December 7.

## **10. Academic Ethics:**

Cheating on assignments and exams, or plagiarizing (misrepresenting as one's own anything done by another) is penalized by Denison University. A student found in such a situation will be given an F in the class and will be brought to the Honor Council for further penalties.

## **11. Students with Disabilities**

Any student who feels he or she may need an accommodation based on the impact of a disability should contact me privately as soon as possible to discuss his or her specific needs. I rely on the academic support & Enrichment Center in 104 Doane to verify the need for reasonable accommodations based on documentation on file in that office.

## **12. Grading Scale**

97.5-100: A+  
92.5-97.49: A  
90-92.49: A-  
87.5-89.9: B+  
82.5-87.49: B  
80-82.49: B-  
77.5-79.9: C+  
72.5-77.49: C  
70-72.49: C-  
67.5-69.9: D+  
62.5-67.49: D  
60-62.49: D-  
less than 60 F

I reserve the right to adjust this schedule of grade equivalents in the student's favor.

### 13. COURSE OUTLINE AND READING ASSIGNMENTS:

The following is a tentative list of topics and required readings. All readings should be completed by the date listed. Additional readings may be assigned from time to time.

#### Introductory Microeconomics Course Outline

##### A. INTRODUCTION

1. Why study Economics?
2. Definition of Economics
3. Major economic questions
4. Role of Government
5. Positive vs. Normative issues
6. Obstacles and pitfalls of Economic Analysis
7. Graphs and Models
  - a. Graphing data
  - b. Model Building

Reading: Microeconomics, Chapter 1, p. 1-27.

Stiglitz, J. (2003). Do as the US Says, Not as it Does. *Guardian/UK* (October 29). Available at: <http://www.guardian.co.uk/comment/story/0,3604,1073042,00.html>

##### B. THE ECONOMIC PROBLEM

1. What is Microeconomics?
2. Flow Diagram
3. Society's Production Possibilities: PPF

Reading: Microeconomics, Chapter 2, p.32-39, 44-45.

##### C. DEMAND AND SUPPLY

1. Demand
2. Supply
3. Market Equilibrium
4. Changes in Equilibrium
5. Excess Demand vs. Excess Supply (Surplus vs. Shortage)
6. Elasticity
7. Government Intervention
8. Tax Incidence

Reading: Microeconomics, Chapter 3, p.58-77; Chapter 4, p.82-95; Chapter 6, p.122-138.

Paul Krugman, Who Knew? The Swedish Model Is Working. *Fortune*, 10/25/1999. Available at: <http://www.pkarchive.org/global/swedenomics.html>

##### D. CONSUMER BEHAVIOR

1. Budget Constraint
2. Utility and Cost Benefit Analysis
3. Preferences and Indifference Curves
4. Price Effect and the Demand Curve

5. Substitution Effect vs. Income Effect
6. Individual vs. Market Demand Curves
7. Critique of Consumer Theory

Reading: Microeconomics, Chapter 5, p.105; Chapter 7, p.152-163; Chapter 8, p.170-188.

Film: Affluenza, September 16, 5:00-6:00 pm, 6:00-7:00 pm.

**Exam 1: September 23**

**E. ORGANIZING PRODUCTION**

1. The Firm's Goal
2. Economic Profit vs. Accounting profit
3. Opportunity Cost
4. Market Types
5. Measures of Concentration
6. Product Curves
7. Cost Curves
8. Revenue Curves

Reading: Microeconomics, Chapter 9, p.196-211; Chapter 10, p.218-230.

**F. PERFECT COMPETITION**

1. What is Perfect Competition
2. The Firm's Decision
3. Long Run Adjustments
4. Consumer Surplus vs. Producer Surplus

Reading: Microeconomics, Chapter 5, p.105-108; Chapter 11, p.238-255.

**G. IMPERFECT COMPETITION**

1. Monopoly
  1. Price Setting Strategies
  2. Price Discrimination:
  3. Gains from Monopoly
2. Monopolistic Competition
  1. Price and output in monopolistic competition
  2. Monopolistic Competition and efficiency
3. Effect of Advertisement
4. Oligopoly
  1. Two traditional Oligopoly Models
6. Game Theory & Uncertainty
  - a. The Market's Role in Dealing with Uncertainty
  - b. Game theory

Reading: Microeconomics, Chapter 12, p.262-277; Chapter 13, p.284-309.

Paul Krugman, "Delusions of Power," *The New York Times*, March 28, 2003

Paul Krugman. "Enron and the System," *The New York Times*, January 9, 2004

Suggested film: The Corporation

**Exam 2: October 21 (covering until section G.4)**

## H. FACTOR MARKETS

### 1. Labor Markets

Reading: Microeconomics, Chapter 17, p.384-414.

Howell, D. R (1994). The Skills Myth. *The American Prospect*, 5(18). pp.81-90. Available at: <http://www.prospect.org/print/V5/18/howell-d.html>

Film: Germinal, November 4, 5:00-8:00 pm, November 5, 1:00-4:00 pm

## I. MARKET FAILURE AND GOVERNMENT

1. Regulation and Antitrust Law
2. Private Goods vs. Public Goods
3. Externalities

Reading: Chapter 14, p.321-335; Chapter 15, p.341-349; Chapter, 16, p.360-371.

Greger, M. (2001), Her No Evil, See No Evil. *Farm Sanctuary News* (Summer). Available at: [http://www.farmsanctuary.org/newsletter/mad\\_cow.htm](http://www.farmsanctuary.org/newsletter/mad_cow.htm)

### **Exam 3: November 14**

## J. ECONOMIC INEQUALITY

1. Measuring Economic Inequality
2. The Sources of Economic Inequality
2. Income Redistribution and Government Intervention

Reading: Chapter 18, p.416-428.

Johnston, D. C. (2005), Richest are Leaving Even the Rich Far Behind, *The New York Times* (June 5). Available at: <http://www.commondreams.org/headlines05/0605-01.htm>

Film: Hate, November 16, 6:00-8:00 pm, November 17, 5:00-7:00 pm

## K. INTERNATIONAL TRADE

1. Absolute Advantage:
2. Comparative Advantage
3. Trade Barriers: Tariffs, Export Subsidies, and Quotas

Reading: Chapter, 20, p.460-477.

Oxfam (2005). Dumping on the World: How EU sugar policies hurt poor countries. Available at: [http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/bp61\\_sugar\\_dumping.htm](http://www.oxfam.org.uk/what_we_do/issues/trade/bp61_sugar_dumping.htm)

Lauredee, M. (1993). Trade Policy: Who Wins, Who Loses? In G. Esptein, J. Graham, and J. Nembhard (eds), *Creating a New World Economy*. Temple University Press.

Weisbrot, M., Rosnick, D., and Baker, D. (2004). Poor Numbers: The Impact of Trade Liberalization on World Poverty. CEPR Briefing Paper. Available at: [http://www.cepr.net/publications/poor\\_numbers.pdf](http://www.cepr.net/publications/poor_numbers.pdf)

**Term Paper due on December 7**

**Final Exam**