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Economics 110.5: Introductory Microeconomics

Spring 06, UNH 3320, TR 1:35-2:50pm

SYLLABUS

Microeconomics is (usually) the first course of the two-course sequence of introductory economics courses; macroeconomics is the second course. Microeconomics focuses on the choices of individuals, whereas macroeconomics deals with choices at the aggregate level. This course will help you understand how a market economy works – an economy in which individuals (and not the government) decide what consumption and production options to pursue. We will also discuss the limits and possible failures of market economies, and policies to address both.

Economics as a science characterizes, analyzes, and predicts how individuals make choices under scarcity. According to most economists, choices w/o scarcity do not exist: there is always some limitation, be it money, time, abilities, resources, etc. Thus, all choice situations can be considered as economics problems. If choice situations have some characteristics that can be generalized, then economics offers a language in which the problem can be phrased and tools with which the problem can be analyzed. Economic thinking and analysis is therefore widely applicable, well beyond what is commonly considered the realm of the business world. Law, biology, physics, philosophy – just to name a few – are academic fields and industry sectors where economic analysis are important. As a language and a tool of analysis, economics represents a way of thinking and a framework to categorize problems. It applies to every single action you perform in your life. This course will challenge you to learn to think like an economist, to analyze problems from an economist's point of view, and also to evaluate the premises of the economist's analysis.

Economists assume that individuals make their choices in a consistent way using some basic rules. We will learn what these rules are and will apply them to different economic questions. We will also learn the most fundamental tools economists use to analyze problems. Economists use models to analyze choice situations. Such models are simplified versions of the real-world problem that reflect the most important and general features of a choice situation. Models are abstractions and are usually phrased in mathematical terms. Although we will focus on the applications of the models, we will frequently use basic algebra (solving equations for variables, solving two linear equations), arithmetic (percentages, fractions) and graphical analysis in this class.

We will mainly focus on two kind of decision makers in this class – the consumer and the producer. Before we analyze the most important choices they face, we first have to learn some basic concepts that apply to everybody and we have to set the framework – the market – in which they interact. Once we have a thorough understanding of how consumers and producers behave with “perfect” circumstances (a situation we will call perfect competition), we will proceed to considering more realistic, less perfect scenarios (imperfect competition) and also evaluate the role government can play in such situations.

The class will be lecture-based with many interactive units, such as experiments, in-class exercises, etc. Economics is a very cumulative subject in which the same assumptions and tools are used over and over again. It is therefore paramount to your success in this class that you do not fall behind. You will have to catch up; you cannot skip parts of the class and then do well on later topics. Given that economics is a way of thinking, you will need a fair amount of exercise to get used to that way of thinking. There will be weekly homework assignments in this class to make sure you are familiar with the material we cover. Moreover, I strongly encourage active class participation – the more you engage the material the better you will understand what we are doing. Asking a question is also a way of engaging the material – do never hesitate to ask a question; given that you have a question, in all likelihood someone else has been wondering about the same thing.

The **textbook** for this class is

Krugman,P., Wells, R. (2005), *Microeconomics*, Worth,

(K/W henceforth), ISBN 0-7167-6744-9. We will follow the book closely, although in a different order of chapters. A very good study guide (ISBN 0-7167-5775-9) is available, if you are interested. We will not be using it in class, but it provides valuable additional exercise. The publisher also provides a website with many good resources: <http://www.worthpublishers.com/krugmanwells>.

The book is available in two versions – as hardcopy at the bookstore (make sure the copy you buy has the ISBN indicated above and contains an access code for Aplia; Econ 110 section 5 or 6), or as online copy on the Aplia website → see separate handout with instructions.

Should you buy the physical textbook? That is completely up to you. For those of you who work better on/with paper, like to have the text handy at all possible times and everywhere, and also consider holding on to the book for later (it is worth it!), you should consider buying it - again, make sure you get the one with the code. If you don't care to lug around paper, prefer to click and drag, and/or know that you want to sell the book at the end, then maybe you want to go for the electronic version only. And, last but not least, as beginning economists, you may want to compare the prices for the two options.

There will be **additional short reading assignments** as part of the homework on an occasional basis. This reading material will be available online with instructions.

The general **outline** of the course is as follows (K/W chapters in brackets in the order in which we will cover them)

1. Introduction (1, 7, 2)
2. The Market Mechanism (3, 4, 5, 6)
Demand, Supply, Equilibrium, Elasticity, Price Floors and Ceilings
3. The Market Participants and The Decisions They Face
Consumers (10,11)
Producers (7, 8, 9)
4. Market Successes and Failure (13, 14, 15, 16)
Efficiency, Input Markets, Imperfect Competition, Externalities, Imperfect Information
5. Choices under Uncertainty (18)
6. Public Policy (19, 20, 21, 22)
Environment, Public Goods, Taxes

Depth and extent of coverage of the last two points will be determined as the class proceeds.

A **detailed schedule** is available on Aplia. Aplia is organized by weeks with deadlines. I will upload the relevant chapters of the book (or parts thereof) together with the homework assignments of the week (which will be due on Mondays at 2pm). The reading material is therefore listed for a deadline that falls *after* the discussion in class. This is the latest point at which you need to have mastered the material. However, it is a very good idea to read a chapter *before* we discuss it in class – check the next deadline to know what is relevant. It will help you to better understand the material and to ask relevant questions.

It is your responsibility to check the Aplia website for the detailed schedule or to ask me if you have any questions about class organization.

In addition to the Aplia website with the homework assignments and the reading, I will be using **Blackboard** extensively. You will be able to retrieve this syllabus, lecture notes, handouts, in-class exercises, experiments instructions, exam answer keys, etc. from there. You will need Acrobat Reader¹ for everything I put on Blackboard. Make sure you can get to the Blackboard course pages from your Manegate account – if not, contact the helpdesk immediately and notify me. Moreover, I will be using Blackboard's **email** function to communicate with you. This means, that all my emails will be sent to your LMU account. It is your responsibility to make sure that you receive those emails:² do not go over quota on your account (otherwise my messages get bounced) and check it regularly.

The online **lecture notes** will *not* be complete and will usually be posted right after class. They do not contain examples I use in class, solutions to in-class exercises, or applications and exercises we do in class beyond the basic analysis. Lecture notes do therefore not substitute for class attendance. Moreover, it is a good idea to take detailed

¹ Available at <http://www.adobe.com>.

² If you do not use your LMU account, then make sure that you have enabled forwarding to another email account you regularly use – see <http://www.lmu.edu/blackboard/forwardinglion.pdf> for instructions.

notes during class, in particular notes of explanations, examples, and applications I provide, i.e. of the material that goes beyond the basic introductions and text on the transparencies.

Although **class attendance** is not mandatory, I *strongly* recommend regular class attendance. Attendance and participation are part of your grade. I will take attendance at the beginning of every class.

Make sure you let me know at the beginning of the semester if you are going to miss classes because of required **athletic activities** by providing a detailed written schedule. I also expect you to remind me every time you have to miss a class the class before and to discuss with me how to best study the material on your own.

Class attendance and participation and doing the homework is most likely *not* sufficient to master the material – you will also need to review your notes and my lecture notes at home, very carefully read the appropriate sections of the book, do as many (additional) problems as possible, and ask questions.

I have extensive **office hours** (see footer) – make use of them. If you want to make sure I know who you are, then it is a good idea to come by my office hours during the *first two weeks* of class for a chat.

I am always happy to help – be it that you have a question about class material, do not understand a homework question (print it out and bring it along), or you want to discuss something beyond what we did in class. I enjoy meeting with you and I enjoy helping you learn and understand. If you cannot make it during my office hours, send me an email with your questions or ask me for an appointment at a different time – I will tell you what times are available and happily meet with you at a mutually agreeable time if you send me a confirmation email on time.

Do not expect me to answer homework questions for you, but I will make sure that you understand the question and know how to approach it. I do not re-lecture in my office if you miss a class, it is your responsibility to figure out what we covered by consulting the available online material and by talking to your peers.

Please get in touch with me if you have any concerns about your performance or any other aspect of the class. Do not delay talking to me – I can fix or help with a problem only if I know about it.

As I said earlier, we will be using some basic **mathematical tools** on a very regular basis. If you do not remember what intercept and slope of a line are, if you do not know how to solve an equation for one variable, if you are not sure how to graph or read a function, if you have difficulties with fractions and percentages, then you should get in touch with the Learning Resource Center right away; I suggest you do that also if you only vaguely remember these concepts. Please also get in touch with me and let me know of your difficulties – only then do I have a chance to help you. Do not wait until you get a bad grade on an exam.

The homework assignment of the first week includes various math problems: an extensive Math and Graphs Tutorial as practice assignment, and a graded Pretest and Posttest – of the latter two, I will only count the better of the two scores. If you have difficulties doing any of these problems successfully, come and see me. If you successfully and easily complete the pretest, then you do not need to do the practice problems or the posttest.

Your **grade** in this class will be based on

· class participation	15%
· homework	20%
· two midterm exams (20 % each)	40 %
· final exam	25%

Your class participation takes into account your class contributions (mainly quality, less quantity), your attendance, and your classroom etiquette (see below). A third of the 15% of your participation grade, i.e. 5% of your grade, will be based on participating in a Economics Subject Pool – a one-hour commitment during which you participate in an ongoing economics research project. You will have a choice of several time slots. Later this month, I will be giving you details about how to sign up for this activity.

To achieve a perfect score (100%) on the homework component, you need to get a score of 250 on Aplia. The total attainable Aplia score will be higher than that (in all likelihood somewhere between 300 and 350). To encourage you to do all the homework assignments and to work on them seriously, I will increase the weight of the homework component in your final grade up to 26.5% proportionately for scores beyond 250 and will decrease the exam weights accordingly and proportionately.³ Simple rule: The more homework you do successfully, the better your

³ Your homework grade component is 100% if you have 250 Aplia scores or more. If, for instance, the total attainable Aplia score turns out to be 350 and you manage to get 350 points, then your homework will be weighed with 26.5% (instead of 20%) and your midterms will be weighed with 18% and your final exam with 22.5%. If you manage to get 300 points of the possible

grade. I do not give any extra credit assignments – the Aplia homework allows all of you to accumulate a substantial amount of extra credit simply by doing your homework.

I will assign numerical grades (0-100%) to everything. At the end of the term, I will convert numerical averages into letter grades with appropriate +/- according to the standard scale;⁴ A: 90-100%, B: 80-89%, C: 70-79%, D: 60-69%, F: <60. On rare occasions, I may minimally adjust this scale for all students uniformly to their advantage.

Midterm **exams** will be on February 9th and March 23rd during regular class hours. The final exam is on Thursday, May 4th, 11am-1pm.

You have to notify me of any accommodations for disabilities you get at the beginning of the semester by providing me with the written documentation released by the Learning Resources Center (the LRC does *not* notify me). You also have to discuss the particular arrangements for *each* exam at the latest *a week before* an exam – it is your responsibility to approach me with that. If you fail to do so, then you will take the exam with everybody else at the same conditions as everybody else.

If you have to miss a midterm exam for a scheduled university-sponsored and required activity, you will have to provide written proof and contact me *at least 2 weeks before the exam* to set up an *earlier* exam time. Such an earlier exam may ask different questions and emphasize other aspects of the relevant material than the regular exam. In *documented* cases of a serious family emergency or grave medical illness, I will usually not offer a make-up midterm exam, but shift 2/3 of that exam's weight to the final, and 1/3 to the other midterm exam. The exact conditions in such a situation will be determined on an individual basis after reviewing your written documentation, which has to include a letter (not email) from you explaining the situation. If you do not follow these rules, you will get an F for a missed exam.

Bring your own calculator, ruler, pen and pencil, and eraser to each exam. I will provide the paper. If the use of any other material is admissible (highly unlikely), I will specify that clearly before and during the exam. You are *not* allowed to use or have within reach any other non-authorized material, nor are you allowed to use your own paper. Any attempt of using any unauthorized material – including consulting another classmate's work – will be considered cheating, guarantee you an F on the exam and a report to the Dean (see Bulletin p 61 for the University's Honor Code and Process). If you have any doubts or questions, about what material may be used during an exam – ask before you start working on an exam!

Doing your homework and class attendance are the best preparation for the exams. Working through the end-of-chapter problems in the textbook are also a good preparation for the exam – I am happy to check your answers. All exams are cumulative, but there will always be a strong emphasis on material that was covered since the last exam.

Although, these rules hopefully represent common sense to all of you, let me state what I consider necessary **classroom etiquette**:⁵

- do not disturb the class by arriving late, departing early, or leaving the classroom during class unless for a medical necessity/emergency (if you have an important reason, let me know beforehand; do not make it a regular occurrence);
- do not distract others with personal conversations, eating, using electronic or other gadgets, etc;
- contribute to class in a constructive manner by asking questions, volunteering answers, participating in discussions and activities, and by collaborating with others when requested;
- switch off the volume on all electronic devices and do not dare to use them in class (let alone during an exam) unless you have to do so for a disability (talk to me at the beginning of the semester about that);
- behave in a respectful and civil manner towards everybody else.

Work hard, keep up, participate, and enjoy!

As a first step, please register on the Aplia website, and logon to the Blackboard website of the class and send me an email from there.

350 points, then your homework will be weighed with 23.25%, your midterms will make up 19% of your grade, and the final exam 23.75%, etc.

⁴ Don't forget what grades stand for: A, Superior; A-, Outstanding; B+, Very Good; B, Good; B-, Better than Average; C+, Above Average; C, Average; C-, Below Average; D, Poor; F, Failure. Any grade above a C is therefore better than the average university performance, where university standards are substantially higher than high school standards.

⁵ Professor Treanor's "Basic Expectations for Philosophy Classes" coincide with those for economics classes – you may want to consult them at <http://myweb.lmu.edu/btreanor/basicexpectations.htm>.