Loyola Marymount University

Department of Economics

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Economics 310: Intermediate Microeconomics I

Fall 2010, UNH 3316, TR 10:50am – 12:05pm

Syllabus

Economics is the social science that deals with the allocation of limited resources to satisfy unlimited human wants. It analyzes the incentives that determine economic decision making and behavior. Broadly speaking, economics is composed of two branches: microeconomics and macroeconomics. Microeconomics studies the economic behavior of individual economic decision-makers, such as consumers, workers, firms, or managers. It also analyses the interaction and behavior of groups of these individuals, such as households, industries, markets, labor unions, and trade associations. This framework is fundamental to understanding a wide range of phenomena in business, public policy, social behavior, and a variety of other fields.

We will begin with an overview of the equilibrium behavior of competitive markets. The main tools that economists use to analyze the behavior of such markets are the demand curve, the supply curve, and the notion of market equilibrium, which characterizes the interaction of the forces of demand and supply. We will then spend the rest of the term going beyond our overview to understand where market demand curves and market supply curves come from. We will do this based on the standard model of consumer preferences and consumer choice, from which we derive a market demand curve. Next, we use the standard model of the theory of production and firm behavior to derive a market supply curve, followed by a return to the concept of market equilibrium with our more detailed understanding of demand and supply in order to derive further properties of perfectly competitive market behavior. We will end by moving beyond competitive industry structures to consider various other commonly-observed industry structures such as monopoly and oligopoly. We will observe how industry equilibrium differs from the competitive case for each of these structures.

The type of analysis we conduct in 310 is called *partial equilibrium* because it characterizes behavior in a single market. In Economics 410, Intermediate Microeconomics II, we will analyze equilibrium when many markets exist and interact. This is called *general equilibrium* analysis. There, we will also derive some welfare properties of competitive markets for both partial and general equilibrium. In 410 we will also consider uncertainty, information economics, externalities, public goods and other applications.

Microeconomic analysis relies on a small set of enormously powerful analytical tools: constrained optimization analysis, equilibrium analysis, and comparative statics analysis. This course helps you master the relevant aspects of these tools by understanding their graphical, algebraic, and logical mechanics, as well as by illustrating their use in many different contexts throughout the course.

The required text for this class is **Besanko, D., Braeutigam, R.R., Microeconomics, 2008 (Third Edition)**. There are a variety of options for purchasing this book, in conjunction with access to the homework website Aplia:

- You can buy the book including the access code for Aplia (ISBN 978-0-470-38367-4).
- You can buy the book w/o the access code for Aplia (ISBN 978-0-470-04924-2) and then get access separately ($85) – see handout.

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Office Hours: W 2:00-4:30pm, R 4:15-5:00pm and by announcement/appointment

- You can just buy the book (ISBN 978-0-470-04924-2) and not get access to Aplia (I do not recommend that because you will not be able to do some of the homework – you will need it).
- You can only get Aplia access ($85) which includes pdf copies of all book chapters (that you can print from the website if you wish to do so) – see handout.

We will be covering chapter 1-14 of the book, following the book fairly closely. The remaining chapters and additional material will be covered in Economics 410.

I will be using **Blackboard** to post this syllabus, handouts, in-class exercises, problem sets, answer keys, etc. You will need Acrobat Reader for everything I put on Blackboard. 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 email account. It is your responsibility to make sure that you receive those emails:[1] do not go over quota on your account (otherwise my messages get bounced) and check it regularly.

Class attendance is required. You will only be able to follow classes if you have mastered material covered earlier during the semester. I will be taking attendance. If you have to miss a class, I expect that you let me know *in advance*; it is your responsibility to catch up by consulting your classmates and the reading. I may assign additional homework if you miss class to make sure you are at the same level as everybody else in the 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 ahead of the class you have to miss and to discuss with me how to best study the material on your own.

Your **final grade** will be based on

- class participation 15%
- problem sets 20%
- two midterms (20 % each) 40 %
- final exam 25%
- Aplia homework 10%
- two policy analysis essays (2.5% each) 5%

This adds up to 115% - I will drop the weight of your weakest exam by 5% at the end of the class, if you did not miss an exam. Therefore, this class offers you a total of 110% - if you do not do any Aplia homework then your max total is 100%; if you do not do the policy essays your max total is 105%. Aplia homework and the policy essays can therefore be understood as extra credit – but it is a VERY good idea to do them.
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 +s and –s according to the standard scale A: 90-100%, B: 80-89%, C: 70-79%, D: 60-69%, F: <60%. If appropriate and only rarely and minimally do I adjust this scale uniformly for everybody in class to the students' advantage.
The class participation grade relates mainly to the quality of your contributions. Although this class is mainly lecture-based, it relies crucially on your participation. Please do never hesitate to ask a question or to raise an issue.

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, I will specify that. You are *not* allowed to use or have within reach any other material, nor are you allowed to use your own paper. Any attempt of using any

[1] If you do not use your LMU account, then make sure that you have enabled forwarding to another email account you regularly use. I will not send any emails to other accounts.

unauthorized material – including consulting another classmate's work – will be considered cheating, guarantee you an F on the exam, possibly in the whole class, 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 problem sets and class attendance are the best preparation for the exams. All exams are cumulative, although there will always be a stronger emphasis on material that has no yet been tested in another exam. The majority of exam questions are derivations and proofs; some questions will be dedicated to explaining concepts and their applications.
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. Otherwise there are no makeup exams. In *documented* cases of a serious family emergency or grave medical illness, I will shift the exam's weight proportionately to the other midterm and the final exam. If you do not follow these rules, you will get an F for a missed exam.
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 *one 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.
The midterm exams are on **Sep 30** and **Nov 4** during regular class hours. The final exam is on **Dec 14 at 11am**.

Homework: This class has two types of homework – weekly **Aplia assignments** that cover the basics of the class and are a good refresher if you have forgotten concepts from your Principles class. Once you register online you will get reminders before each due date. Aplia offers Practice and Graded Problem Sets – only the graded problem sets count; the practice problem sets are close to the graded ones and can help you complete the graded ones successfully. On Aplia you can also find the relevant book chapters in the schedule (as well as on the right hand side under the complete table of contents of the book).
Moreover, there are going to be 6 regular **problem sets**, due on Sep 16 (R), Sep 29 (W), Oct 21 (R), Nov 3 (W), Nov 23 (T), Dec 10 (F) – the Thursday problem sets are due in class, the other problems sets are due latest 5pm in my office. Problem sets will be posted approximately a week ahead of the deadline on Blackboard.
You may work in groups of 2 on the problem sets – you have to let me know by email who you are working with before the first problem set is due. Hand in one solution per problem set group. You are welcome and encouraged to discuss the material with others, however, the answer you provide has to be the one you as a group have worked out – do not, ever, just copy material from another group (that is cheating and will be pursued accordingly). Make sure you always explain what you are doing and show your work. If you have to graph something, provide scales, label everything, and draw carefully and precisely.

I have extensive **office hours** (see footer – the Wednesday afternoon is there for you if you have questions on the problem set) – make use of them. I am happy to help you with assignments if you get stuck or are not sure you are heading in the right direction. I am your best resource – "use" me. 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 I can make and happily meet with you at a mutually agreeable time if you send me a confirmation email on time. I do check my e-mail quite frequently, but do not count on me to reply over the weekend or late at night.

Please make sure you talk to me as soon as you run into trouble or fail to understand something. Delaying to do so will hurt your understanding of material we will cover at a later point. Please do also let me know if you have any concerns about the class in general or your performance.
Danny Modafferi, a senior Economics major, will be available between 11am and 12:00pm on Wednesdays in UNH 4222 or UNH 4242 if you have questions – you may want to email ahead of time to let him know if you are planning on meeting with him (dmodaffe@lion.lmu.edu).

Academic integrity is essential for a successful learning process – please check the Bulletin (pp 61) for the University's Honor Code and Process. Among other things, cheating is copying answer, adding your name to a problem set although you did not work on it, using unauthorized material. If I catch anyone cheating, you will receive an F in the course and will be reported to the Dean.

Although, these rules hopefully represent common sense to all of you, let me state what I consider necessary **classroom etiquette**:[2]

- 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.

Work hard, keep up, participate, and enjoy! I will help you along!

[2] 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/Basic_Expectations.html.