Principles of Microeconomics

Instructor Information

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Course Information

Meeting Place: SHB 134 MO 6.00-8.50 PM
Course Number: ECO 233-06
CID: 6203

Course Content

Microeconomics is the study of basic economic theory of individuals and firms. The main idea of the course is to provide you with the tools and knowledge the world around. It will also help you to take better decisions and to determine how government policies affect positively or negatively the life of individuals. The main idea of the course is not to provide you with lots of facts for you to memorize and that will be soon outdated. Rather, the course will teach you applied techniques that you can use for many years. You will develop economic intuition and start thinking like an economist. Topics include the basics of supply and demand, elasticity, taxes, production costs, perfect competition, monopoly, oligopoly, monopolistic competition, public goods and externalities. Some basic math will be used in the class and I will teach it along the semester as we need it.

Required Textbook

Hubbard and O'Brien, "Economics", Pearson, Prentice Hall, 2006.

Assignments and Grading

Grading will consist of the following three main categories only: exams, homework and quizzes.

Exams: there will be three partial exams. The highest grade represents 30% of your grade, the second highest grade 25% and the third highest grade 20%. I will try to post in the class website a practice test with its answer key before each partial exam. All exams with the respective answer key will be posted on the class website few days after the exam day. There are no make-up exams. If you cannot take an exam for some reason you should talk to me **BEFORE** the test. If you do not take an exam then the final will have a higher weight. **However**, I only allow this if you get ill **AND** you cannot take the test or in situations that I considered extreme such as a verifiable accidents. Falling asleep or having family troubles does not qualify as a valid excuse. If you miss the test you will get a zero. In any case, do not hesitate and talk to me about it.

Homework: there will be five homework sets. The homework set will be similar to the midterms and all questions are multiple choice or true/false. The homework will be collected at the beginning of class and **I will not grade homework turned in after class or sent by email**. Homework will be graded from 0 to 10. If you do not turn in the homework you get zero.
When calculating your final grade, I drop your lowest homework grade and then calculate your homework average. You can work in groups when solving the homework but I will only grade individual homework. If a homework is turned in with more than one name, those students will get zero in the assignment. If you work in groups it is important that you make sure that you understand the material. All homework and answer keys will be posted on the class website a few days after the due date.

Quizzes: there will be a total of eight quizzes in the semester. Quizzes will take place during first 5 minutes of some classes (see the chart below for the specific days). If you do not take a quiz you get zero. Quizzes represent 10% of the final grade. Each quiz consists of one or two easy question about the most important topics of the previous two classes. You may want to review your notes before class. Also, when calculating the average quiz grade I will drop your lowest quiz grade.

Highest Midterm Grade ………………..30%
Second Highest Midterm Grade…….……25%
Third Highest Midterm Grade…………….20%
Homework………………………………...15%
Quizzes……………………………………10%

Total   100%

Final Numerical and Letter Grade.

The final numerical grade is calculated as follows:

(Homework Average without the lowest grade) x 0.15
+
(Quiz Average without the lowest grade) x 0.1
+
(Highest Midterm Grade) x 0.3
+
(Second Highest Midterm Grade) x 0.25
+
(Third Highest Midterm Grade) x 0.2

Final Numerical Grade

Once I obtain the final numerical grade I add extra points obtained through attendance and then I will assign a letter grade using the following table. Please note that there is **no curve in the final numerical grade.**

Final Numerical Grade+ extra attendance points	Final Letter Grade
8.5 to 10	A
7.5 to 8.4	B
6.5 to 7.4	C
5.5 to 6.4	D
Less than 5.5	F

Attendance

I will take attendance starting on the first day of class by university regulations. However, attendance for extra points will start on Monday August 27th 2007. In order for your presence to count as attendance you have to stay for the whole class time.

Attendance is important but not required, **if you do not miss any classes, you will receive a bonus of 0.4 points out of in your final grade. If you only miss one class you will receive a bonus of 0.3 points out of 10.** If you miss more than two classes you will not get any bonus points. For example, imagine your final grade was 8.2 after all quizzes, homeworks and exams. If you did not miss any class then I would add 0.4 points for a final grade after attendance of 8.6 and a letter grade of A.
The only valid excuse for an absence not to be counted is to present a doctor's note saying that you were ill during the days of the class.

Please if you can not attend class **DO NOT** send me an email telling me that you will not be attending, just bring the doctor's note to the next class. Every semester I received tons of emails of students telling me they can not come to class. If you have a valid excuse bring the

doctor's note if not then you have an absence there is not need for an email.

Finally, you will also get extra points for NOT coming to class. **If you only come to two classes or less you will get 3 extra points out of 100.** Not coming to class implies not showing up at all. If you come and leave early then it is counted as an absence but it is not counted as "not coming" to class. **If you come to class and refuse or do not sign the roster sheet it will be considered cheating and a drop of one letter grade in your final letter grade will follow for each time it is done.**

If you miss class or leave early you do so in the understanding that you are waving your right to ask me questions about the lecture you missed.

Note that you are not required to attend class but if you decide to attend class you must comply with the classroom rules.

Important Dates

Exam I   October 1st
Exam II   November 5th
Exam III   During the final exam date and time

Recommended study time and other issues.

In order to pass this class you will most likely need to devote at least 60 minutes of studying per week, not including homework time. IT IS NOT ENOUGH TO COME TO CLASS, you also need to study on your own during the week. Attendance is a necessary but NOT a sufficient condition to pass the class.

In order to prepare for the exams you need to do the homeworks, solve the practice tests, and study the class notes and the textbook. Please, note that it is NOT enough to ONLY study the textbook.

Email Policy

During the semester I will be sending emails to the students in the class. The emails are sent to your SHSU account, it is YOUR responsibility to make sure that you have a working SHSU email.

I am always glad to receive email from my students. However, several issues need to be addressed about your email correspondence to me.

1) I am not on call. You can send me an email whenever you want but I will only reply during my office hours. This means, that I will not reply to any email on Saturday, Sunday or holidays.
2) Put your first and last name, class name and class meeting time.
3) Write in a way that I can understand.
4) If you are asking a question about a topic covered in class you must be very specific. Do not ask me to send you an email with the whole lecture. For example, do not send me an email saying: "Can you please explain how taxes work?" However, you can send me an email saying something like "Are taxes inefficient because a mutually

beneficial trades do not take place after taxes?"

Office Hours

You are welcome to stop by my office to ask questions about the lecture. However, make sure that you stop by **during my office hours** posted outside my office, in the first page of this syllabus and on the class webpage. If you can not make it to my office hours, send me an email to schedule an appointment. If you show up at a time different than my office hours without an appointment I will not be able to talk to you. The previous also applies to my office phone number.

Classroom Etiquette

Disrespectful behavior toward me or classmates will not be tolerated at all. The following are the classroom rules (the penalties are shown below):

Electronics:

1) All laptop computers must be closed at all times during the class.
2) Do not use headphones during the lecture.
3) All cell phones must be turn off. Do not talk on the cell phone during class.
4) **Do not write or read a text message on your cell phone during class. Text messaging during class is very disrespectful and I take it seriously. If you have to communicate during the lecture leave the classroom.**
5) Do not play games on hand-held systems or other electronic devices (including watch alarms and cell phones).
6) Do not listen to you mp3 player or music during the class.

Behavior:

7) **Sleeping during class will not be tolerated**.
8) If you leave the classroom before the lecture is over it will be counted as an absence.
9) During the lecture you should not read material other than the textbook of this class. This means that newspapers and books for other classes should be closed and hidden.
10) Be patient and courteous to other students when they ask a question or make a statement, even when the subject may be obvious to you.
11) If your behavior is disruptive I will ask you to leave the classroom. This includes making fun of classmates or the professor, talking loudly to other students while the lecture is in progress and whistling. Talking to classmates during the lecture disrupts the normal learning environment.
12) Do not answer questions from other student during the lecture, this is highly disruptive.
13) Try not to use bad words unless is strictly necessary.

Penalties:

The penalties from not complying with the rules can go from asking you to leave the classroom (with the corresponding absence) to failing the class

CLASS CALENDAR

Monday August 20	Monday August 27	Monday September 10	Monday September 17	Monday September 24
First Day of Class	Quiz 1 Homework 1 Assigned	Quiz 2 Homework 1 Due	Homework 2 Assigned	Quiz 3 Homework 2 Due Practice Midterm Posted on Class Web Site
Monday October 1	Monday October 8	Monday October 15	Monday October 22	Monday October 29
MIDTERM 1		Quiz 4 Homework 3 Assigned	Quiz 5 Homework 3 Due Homework 4 Assigned	Quiz 6 Homework 4 Due Practice Midterm Posted on Class Web Site
Monday November 5	Monday November 12	Monday November 19	Monday November 26	Monday December 3
MIDTERM 2	Homework 5 Assigned		Quiz 7 Homework 5 Due	Quiz 8 Practice Midterm Posted on Class Web Site Last Day of Class

Outline.

Topic I. Introduction   **Textbook Chapter: 1**

1. The economic problem.
2. Scarcity and Choice
3. What to Produce
4. How to Produce
5. For whom to Produce
6. How People Make Decisions

Topic II. Opportunity costs and gains from trade   **Textbook Chapter: 2**

1. Production possibility frontier
2. Opportunity costs
3. Comparative advantage vs competitive advantage
4. Terms of exchange and international trade

Math Applications.
1. Equation of the line
2. Slope and opportunity cost.
3. Graphing

Topic III. Marginal analysis: Supply and Demand   **Textbook Chapter: 3**

1. Total and Marginal Willingness to Pay
2. Marginal Willingness to Pay and Demand
3. Demand Schedule and Demand Curve.
4. Inverse and Demand Equation
5. Law of Demand
6. Shifts in the Demand Curve
7. Market Demand versus Individual Demand
8. Supply Curve
9. Shifts in the Supply Curve

Topic IV. Elasticity of demand and supply   **Textbook Chapter: 6**

1. Price Elasticity of Demand and its Determinants
2. Necessities versus Luxuries
3. Income and Cross-price Elasticity of Demand
4. Price Elasticity of Supply and its Determinants

Math Application
1. Calculating Percentage Change.
2. Midpoint Formula
3. Computing the Price Elasticity of Supply.
4. Computing the Elasticity of Demand

Topic V: Market Equilibrium   **Textbook Chapter: 3**

1. Definition of Markets.
2. Equilibrium: Supply and Demand Together
3. Changes in Equilibrium
4. Price controls
5. Surplus and scarcity

Math Application
1. Obtaining equilibrium price and quantity.

Topic VI. Market Efficiency   **Textbook Chapter: 3 and 4**

1. Consumer surplus
2. Producers' Surplus
3. Total Surplus and Welfare
4. Market Efficiency
5. Marginal Cost and Marginal Benefit

Topic VII. Taxes and Quotas   **Textbook Chapter: 4**

1. New price and quantity with quotas and taxes
2. Costs of taxation and quotas
3. Deadweight Loss
4. Tax and quota Revenue
5. Elasticity and taxes
6. Tax burden
7. Cost of taxation

Topic VIII. Market Failure: Public Goods   **Textbook Chapter: 5**

1. Public goods
2. Common Goods
3. Artificially Scarce Goods
4. The Free-Rider Problem
5. Common Resources
6. Public good and market inefficiency

Topic IX. Market Failures: Externalities   **Textbook Chapter: 5**

1. Externalities as a special case of public goods
2. Externalities and Market Inefficiency.
3. Negative and Positive Externalities
4. Pollution and the environment
5. Pigouvian Taxes, Quotas, Coase Theorem and Command and Control.

Topic X. Game Theory   **Textbook Chapter: 13**

1. Dominant Strategy
2. Nash Equilibrium
3. Prisoner's Dilemma
4. Repeated Games
5. Sequential Games

Topic XI. Technology and Production Costs.   **Textbook Chapter: 10**

1. Definition of costs
2. Types of Costs
3. Measurement of Costs
4. Costs in the Short Run and in the Long Run

Topic XI. Competitive Market   **Textbook Chapter: 11**

1. Definition of competitive market
2. Profit Maximization and the Competitive Firm's Supply Curve
3. The Supply Curve in a Competitive Market

Topic XII. Monopoly   **Textbook Chapter: 14**

1. Why Monopolists Arise?
2. Profit maximization: marginal revenue and demand curve
3. Quantity and Price under Monopoly
4. Welfare Costs
5. Price Discrimination

Topic XIII. Oligopoly   **Textbook Chapter: 13**

1. Markets with only few sellers
2. Profit maximization
3. Games Theory and Economics of Cooperation

Topic XIV. Monopolistic competition   **Textbook Chapter: 12**

1. Competition with differentiated products.
2. Profit maximization
3. Advertising