

## Principles of Microeconomics

### Instructor Information

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Class Web Page: [http://www.shsu.edu/~fxg001/index\\_files/PrincipleofMicroeconomics.htm](http://www.shsu.edu/~fxg001/index_files/PrincipleofMicroeconomics.htm)

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Office Hours: TUTH 2.00 - 3.15 pm or by appointment only. Send me an email if you cannot make it to my office hours to set an appointment.

### Course Information

Meeting Place: SHB 133 MOTUWETHFR 8.00-9.50 AM

Course Number: ECO 233-01

CID: 7218

### Course Content

Microeconomics is the study of how consumers and firms behave when there are limited resources and unlimited wants. The main idea of the course is not to provide you with lots of facts for you to memorize and that will be soon outdated.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 tools, concepts and knowledge that you can use for many years. You will develop economic intuition and start thinking like an economist. Moreover, the class will help you to take better decisions and to determine how government policies can affect society positively or negatively. 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 class and I will teach it along the semester as we need it.

At the end of the semester you will be able to:

A) Understand opportunity costs: Economics is the study of the best allocation of scarce resources to meet unlimited wants. Making good decisions is key to economic reasoning; good decisions require an understanding of opportunity cost.

B) Understand marginal cost and marginal benefit: in order to make good decisions to achieve the optimal allocation of resources it is essential to understand marginal cost and marginal benefits.

C) Understanding the free markets: prices and the market system act with very little

intervention to coordinate the production and consumption decisions of thousands of firms and millions of consumers. An understanding of the market system is fundamental for good decision making, in business and in life.

## Required Textbook

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

## Assignments and Grading

Grading will consist of the following two categories only: exams and homeworks.

**Exams:** there will be three partial exams. The highest grade represents 35% 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 six homework sets. Homeworks will be similar to the midterms and all questions are multiple choice. 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.

These are the weights of homeworks and exams:

Highest Midterm Grade .....	35%
Second Highest Midterm Grade.....	25%
Third Highest Midterm Grade.....	20%
Homework.....	20%
<b>Total</b>	<b>100%</b>

## Attendance

I will take attendance starting on the first day of class by university regulations. However, attendance for extra points will start on Wednesday June 4<sup>th</sup> 2008. In order for your presence to count as attendance you have to stay for the whole class time.

Attendance is important but not required. I believe that you will learn more if you come to class. Therefore, **if you do not miss any classes, you will receive a bonus of 5 points in your final grade. If you only miss one class you will receive a bonus of 3 points and if you miss two classes you will only receive 1 extra point.** For example, imagine your final grade was 82 after all homeworks and exams. If you did not miss any class then I would add 5 points for a final grade after attendance of 87 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.**

Finally, you will also get extra points for NOT coming to class. **If you only come to three classes or less you will get 4 extra points.** 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. However, if you decide to not come to 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.

## Final Numerical and Letter Grade.

The final numerical grade is calculated as follows:

(Homework Average without the lowest grade) x 0.2

+

(Highest Midterm Grade) x 0.35

+

(Second Highest Midterm Grade) x 0.25

+

(Third Highest Midterm Grade) x 0.2

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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.**

<b>Final Numerical Grade+ extra attendance points</b>	<b>Final Letter Grade</b>
85 to 100	A
75 to 84	B
65 to .74	C
55 to 64	D
Less than 55	F

### **Important Dates**

Exam I            June 11<sup>th</sup>  
Exam II            June 19<sup>th</sup>  
Exam III            During the final exam date and time (July 1<sup>st</sup>)

### **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, study the class notes, the textbook and the power points slides. 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. When you send me an email please help me by:

- 1) Putting your first and last name, class name and class meeting time.
- 2) If you are asking a question about a topic covered in class try to be very specific. Do not ask me to email you with the whole lecture.

## **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 cannot 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 may not be able to talk to you. The previous also applies to my office phone number.

## **Classroom Behavior**

Disrespectful and disruptive behavior toward me or classmates will not be tolerated at all. Please use common sense, if I consider that your behavior is not appropriate I can ask you to leave the classroom or lower your grade. Please remember to silence your cell phones. If you are texting do it in a way that does not create noise and does not bother me or other students. If you want to use your laptop you have to sit at the end so that other people are not distracted by your computer. If you leave the classroom before the lecture is over it will be counted as an absence. I want to create a class environment that promotes learning where everyone feels comfortable. Therefore, please 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. Do not answer questions from other student during the lecture, I know it is tempting to do it but this is highly disruptive. Finally, try not to use bad words unless it is strictly necessary.

**CLASS CALENDAR “PRINCIPLE OF MICROECONOMICS” SUMMER 08**

<b>Tuesday June 3</b>	<b>Wednesday June 4</b>	<b>Thursday June 5</b>	<b>Friday June 6</b>	<b>Monday June 9</b>	<b>Tuesday June 10</b>
<b>First Day of Class</b>		<b>Homework 1 Assigned</b>	<b>Homework 2 Assigned</b>	<b>Homework 1 Due Practice Midterm Posted on Class Web Site</b>	<b>Homework 2 Due</b>
<b>Wednesday June 11</b>	<b>Thursday June 12</b>	<b>Friday June 13</b>	<b>Monday June 16</b>	<b>Tuesday June 17</b>	<b>Wednesday June 18</b>
<b>EXAM I</b>		<b>Homework 3 Assigned</b>	<b>Homework 4 Assigned</b>	<b>Homework 3 Due Practice Midterm Posted on Class Web Site</b>	<b>Homework 4 Due</b>
<b>Thursday June 19</b>	<b>Friday June 20</b>	<b>Monday June 23</b>	<b>Tuesday June 24</b>	<b>Wednesday June 25</b>	<b>Thursday June 26</b>
<b>EXAM II</b>		<b>Homework 5 Assigned</b>	<b>Homework 6 Assigned</b>	<b>Homework 5 Due</b>	<b>Homework 6 Due</b>
<b>Friday June 27</b>	<b>Monday June 30</b>	<b>Tuesday July 1</b>			
<b>Practice Midterm Posted on Class Web Site</b>	<b>Study Day</b>	<b>Final Exam</b>			

## **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