

**Boise State University**  
**Principals of Microeconomics**  
**ECON 202, Section 001, Liberal Arts Building, Room LA106, Spring Semester 2010**

<b>Instructor:</b>	John Church	<b>Textbook: <u>Microeconomics</u></b>
<b>BSU Phone:</b>	426 - 3465	Robert Krugman & Robin Wells, 2nd Edition,
<b>Home Phone:</b>	323 - 0732	Worth Publishers
<b>e-mail:</b>	<a href="mailto:ideconomics@earthlink.net">ideconomics@earthlink.net</a>	<b>Location &amp; Time:</b> Liberal Arts Building, Room LA 106
<b>Office Hours:</b>	MWF – 10:40 a.m. – 11:30 p.m.	MWF -- 11:40 a.m. to 12:30 p.m.

### **Course Description:**

Principles of Microeconomics (ECON 202) is one of the two-course sequence of introductory economics courses. In ECON 202 we will define economics, explore the underlying fundamentals that are common to all economic systems, and develop and examine a basic framework for analysis of the overall economic interactions that take place in our economy. During the first weeks of the course we will examine the problems caused by scarcity, how prices in our economy act effectively to allocate scarce resources between all participants in our economy. Building on these fundamentals, we will then explore the economic decision making by the smallest of economic units, the individual, household, or firm. We will discover how these small economic units make "good" or rational economic decisions are made. Study will then focus on the differing market structures that operate in our economy.

Having developed these fundamental theoretical tools, we will then focus upon some of the areas of applied economics; regulation and antitrust, supply and demand for the factors of production, wage determination, international trade, and the economic problems faced by our agricultural industries.

### **Objectives:**

It is the objective of this course to provide a understanding of how the interactions of varied economic units (the individual, household, or firm) weave together to influence the overall economic system. It is expected that the student will come away from ECON 202 with a new appreciation of the economic interactions that they observe and are participants in each day. But most importantly, it is hoped that the student will acquire the skills to critically analyze economic phenomena or economic policy decisions.

### **Grading:**

There will be four exams. The first through the third exams will be each worth 100 points. The final exam will be worth 150 points. The final examination will be comprehensive covering materials that have been presented throughout the semester. In addition, there will be a number of "exercises" throughout the semester that will, in total, be worth 100 points. The overall semester grade will be based upon the sum of the grades received in the four exams and the "exercises" compared to the maximum of 550 points that are possible during the semester. Letter grades will be based upon the "traditional" 90+% of the total points equals an "A"; 80 - 89% equals a "B"; 70 - 79% equals a "C", etc. The plus/minus grading system will be used to adjust grades that are between the cutoff points of the above determined letter grades.

# Learning Goals for Principles of Microeconomics

## Critical Thinking/ Problem Solving Skills

### Overall Goal

A student who has completed the economics principles sequence should be able to think critically and be able to apply economic reasoning in making personal and business decisions and in analyzing public policies. A student should be able to identify and discuss major U. S. and international economic institutions, central concepts in a core body of economic literature, and the major economic issues facing the U. S. and the world

### Ethical Issues in Microeconomics

The student should be able to identify the ethical issues that arise when evaluating market outcomes and public policies relating to markets.

### Opportunity Cost

The student should be able to identify the real costs associated with the resource allocation choices we make and explain how such costs affect the choices made by individuals, organizations, and governments

### Marginalism and Benefit and Cost Analysis

The student should be able to use the cost/benefit framework to make decisions, especially decisions at the margin.

### Ethical Issues in Microeconomics

The student should be able to identify the ethical issues that arise when evaluating market outcomes and public policies relating to markets.

## Communication Skills

### Skill in Using Diagrams to Express Relationships

The student will be able to use supply and demand diagrams, cost and revenue curves, time series graphs, and other diagrams to express economic relationships and to predict the consequences of changes in relevant variables.

### Breadth of Knowledge and Intellectual Perspective

### Scarcity

The student should be able to state the implications of the fact that the resources, from which the goods and services we want are produced, are limited. Among these implications is the fact that individuals and societies are forced to make choices.

# ECON 202: Principles of Microeconomics

# Section: 001

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**Textbook:** Microeconomics, by Robert Krugman and Robin Wells, 2nd Edition, Worth Publishers

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Week/Date			Important Dates
<b>Week 1:</b> Jan. 18 - 22	<b><u>INTRODUCTION: The Ordinary Business of Life</u></b> The Invisible Hand My Benefit, Your Cost  <b><u>Chapter 1. First Principles</u></b> <b>Individual Choice: The Core of Economics</b> Resources are Scarce Opportunity Cost: The Real Cost of Something "How Much?" is a Decision at the Margin People Exploit Opportunities to be Better Off	Good Times, Bad Times Onward and Upward An Engine for Discovery  <b>Interaction: How Economies Work</b> There are Gains from Trade Markets Move Toward Equilibrium Markets Usually Lead to Efficiency When Markets Are Not Efficient	
<b>Week 2:</b> Jan. 25 - 29	<b><u>Chapter 2. Economic Models: Tradeoffs and Trade</u></b> Tradeoffs: The Production Possibility Frontier  <b><u>Chapter 3. Supply and Demand</u></b> <b>The Demand Curve</b> The Demand Schedule and the Demand Curve Shifts of the Demand Curve <b>The Supply Curve</b> Shifts of the Supply Curve Understanding Shifts of the Supply Curve	Comparative Advantage and Gains from Trade  <b>Supply, Demand, and Equilibrium</b> Finding the Equilibrium Price and Quantity <b>Changes in Supply and Demand</b> What Happens When the Demand Curve Shifts What Happens When the Supply Curve Shifts Simultaneous Shifts in Supply and Demand	
<b>Week 3:</b> Feb. 1 - 5	<b><u>Chapter 4. Consumer and Producer Surplus</u></b> <b>Consumer Surplus and the Demand Curve</b> Willingness to Pay and the Demand Curve Willingness to Pay and Consumer Surplus How Changing Prices Affect Consumer Surplus <b>Producer Surplus and the Supply Curve</b> Cost & Producer Surplus	<b>Consumer &amp; Producer Surplus: Gains from Trade</b> The Gains from Trade The Efficiency of Markets: a Preliminary View A Few Words of Caution <b>Consumer &amp; Producer Surplus: The Costs of a Tax</b> Deadweight Loss and Elasticities	
<b>Week 4:</b> Feb. 8 - 12	<b><u>Chapter 5. The Market Strikes Back</u></b> <b>Why Governments Control Prices</b> <b>Price Ceilings</b> Modeling a Price Ceiling Why a Price Ceiling Causes Inefficiency So Why Are There Price Ceilings? <b>Price Floors</b> Why a Price Floor Causes Inefficiency Why Price Floors?	<b>Controlling Quantities</b> The Anatomy of Quantity Controls The Costs of Quantity Controls <b>A Surprise Parallel: Taxes</b> Why a Tax is Like a Quota Who Pays an Excise Tax? The Revenue From an Excise Tax The Costs of Taxation	
<b>Week 5:</b> Feb. 15 - 19	<b><u>Chapter 6. Elasticity</u></b> <b>Defining and Measuring Elasticity</b> The Price Elasticity of Demand Using the Midpoint Method to Calculate Elasticities <b>Interpreting the Price Elasticity of Demand</b> How Elastic is Elastic? Price Elasticity Along the Demand Curve What Determines the Price Elasticity of Demand?	<b>The Price Elasticity of Supply</b> Measuring the Price Elasticity of Supply What Factors Determine the Price Elasticity of Supply? <b>Using Elasticity: The Incidence of an Excise Tax</b> <b>Other Demand Elasticities</b> The Cross-Price Elasticity of Demand The Income Elasticity of Demand	<b>Feb. 19: 1st Exam: Chapters 1 - 6</b>
<b>Week 6:</b> Feb. 22 - 26	<b><u>Chapter 9. Making Decisions</u></b> <b>Opportunity Cost and Decisions</b> Explicit versus Implicit Costs  <b><u>Chapter 10. The Rational Consumer</u></b> <b>Utility: Getting Satisfaction</b> Utility and Consumption The Principle of Diminishing Marginal Utility <b>Budgets and Optimal Consumption</b> Budget Constraints and Budget Lines	The Role of Marginal Analysis Marginal Cost, Marginal Benefit Accounting Profit versus Economic Profit  <b>Spending the Marginal Dollar</b> Marginal Utility per Dollar Optimal Consumption Individual Demand and Market Demand The Substitution & Income Effects	
<b>Week 7:</b> Mar. 1 - 5	<b><u>Chapter 11. Consumer Choice</u></b> <b>Mapping the Utility Function</b> Indifference Curves Properties of Indifference Curves Indifference Curves and Consumer Choice The Marginal Rate of Substitution	<b>Using Indifference Curves:</b> Perfect Substitutes, Perfect Complements <b>Prices, Income, and Demand</b> The Effects of a Price Increase Income and Substitution Effects	
<b>Week 8:</b> Mar. 8 - 12	<b><u>Chapter 12. Behind the Supply Curve: Inputs &amp; Costs</u></b> The Production Function, Inputs and Output From the Production Function to Cost Curves Two Key Measures: Marginal Cost and Average Cost Marginal Cost	Average Cost, Minimum Average Total Cost Is the Marginal Cost Curve Always Upward-sloping? Short-run versus Long-run Costs Economies and Diseconomies of Scale	

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Week/Date		Important Dates
<p><b>Week 9:</b> Mar. 15 - 19</p>	<p><b>Chapter 13. Perfect Competition &amp; the Supply Curve</b></p> <p><b>Perfect Competition</b> Defining Perfect Competition Two Necessary Conditions for Perfect Competition Free Entry and Exit</p> <p><b>Production and Profits</b> The Profit-maximizing Quantity of Output</p>	<p><b>Mar. 19: 2nd Exam:</b> <b>Chap. 9 - 13</b></p>
<p><b>Week 10:</b> Mar. 22 - 26</p>	<p><b>Chapter 14. Monopoly</b></p> <p><b>The Meaning of Monopoly</b> Monopoly: A Departure from Perfect Competition What Monopolists Do Why Do Monopolies Exist?</p> <p><b>How a Monopolist Maximizes Profit</b> The Monopolist's Demand &amp; Marginal Revenue The Monopoly Supply Rule Monopoly versus Perfect Competition</p>	<p><b>Monopoly and Public Policy</b> Welfare Effects of Monopoly Preventing Monopoly Dealing with Natural Monopoly</p> <p><b>Price Discrimination</b> The Logic of Price Discrimination Price Discrimination and Elasticity Perfect Price Discrimination</p>
<p><b>Week 11:</b> Mar. 29-Apr. 2</p>	<p><b>Spring Break</b></p>	<p><b>Spring Break</b> Mar. 29-Apr. 4</p>
<p><b>Week 12:</b> Apr. 5 - 9</p>	<p><b>Chapter 15. Oligopoly</b></p> <p><b>The Prevalence of Oligopoly</b> <b>Understanding Oligopoly</b> Collusion and Competition Competing in Prices versus Competing in Quantities</p>	<p><b>Oligopoly in Practice</b> The Legal Framework, Tacit Collusion and Price Wars Product Differentiation and Price Leadership The Kinked Demand Curve</p>
<p><b>Week 13:</b> Apr. 12 - 16</p>	<p><b>Chapter 16. Monopolistic Competition &amp; Product Differentiation</b></p> <p><b>The Meaning of Monopolistic Competition</b> Large Numbers, Differentiated Products Free Entry and Exit in the Long Run</p> <p><b>Product Differentiation</b> Differentiation by Style or Type, by Location, by Quality</p>	<p><b>Understanding Monopolistic Competition</b> Monopolistic Competition: the Short Run, Long Run</p> <p><b>Monopolistic Competition vs. Perfect Competition</b> Price, Marginal Cost, and Average Cost Is Monopolistic Competition Inefficient?</p>
<p><b>Week 14:</b> Apr. 19 - 23</p>	<p><b>Chapter 17. Externalities</b></p> <p><b>The Economics of Pollution</b> Costs and Benefits of Pollution Pollution: an External Cost</p>	<p><b>Production, Consumption, and Externalities</b> Private versus Social Costs, Private versus Social Benefits Environmental Standards, Emission Taxes</p>
<p><b>Week 15</b> Apr. 26 - 30</p>	<p><b>Chapter 18. Public Goods and Common Resources</b></p> <p><b>The Economics of Pollution</b> Costs and Benefits of Pollution Pollution: an External Cost</p>	<p><b>Production, Consumption, and Externalities</b> Private versus Social Costs, Private versus Social Benefits Environmental Standards, Emission Taxes</p>
<p><b>Week 16</b> May 3 - 7</p>	<p><b>Chapter 8. International Trade</b></p> <p><b>Comparative Advantage and International Trade</b> The Gains from International Trade Sources of Comparative Advantage</p> <p><b>Supply, Demand, and International Trade</b> The Effects of Imports, of Exports International Trade and Factor Markets</p>	<p><b>Effects of Trade Protection</b> Effects of a Tariff, of an Import Quota</p> <p><b>The Political Economy of Trade Protection</b> Arguments for Trade Protection The Politics of Trade Protection International Trade Agreements and the WTO</p>
<p><b>and, Maybe</b></p>	<p><b>Chapter 20. Factor Markets</b></p> <p><b>The Economy's Factors of Production</b> The Factors of Production Why Factor Prices Matter: The Allocation of Resources Factor Incomes and the Distribution of Income</p> <p><b>Marginal Productivity and Factor Demand</b> Value of the Marginal Product Value of the Marginal Product and Factor Demand</p>	<p><b>Marginal Productivity Theory of Income</b> Wage Disparities in Practice Marginal Productivity and Wage Inequality Market Power, Discrimination So Does Marginal Productivity Theory Work?</p> <p><b>The Supply of Labor</b> Work versus Leisure, Wages and Labor Supply</p>
<p><b>Final Exam:</b></p>	<p><b>Final Exam -- Thursday, May 13, 2010: 10:30 a.m. to 12:30 p.m.</b></p>	<p><b>May 13: Final Exam</b> <b>Chap. 8, 18, &amp; 20</b> <b>+ Comprehensive</b></p>