

# Principles of Microeconomics

## ECON 101 (Section 03J)

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Fall 2015

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### Required Textbook

Mankiw, Gregory. (2011). *Principles of Microeconomics* (6<sup>th</sup> ed.). Pearson. [[buy on Amazon](#)]

**\*\*Note:** In addition to the textbook, there will be a number of supplementary reading materials—journal articles, handouts, etc. Most of them can be found on the course [webpage](#).

Sims, Peter (2011). *Little Bets: How Breakthrough Ideas Emerge from Small Discoveries*. Simon & Schuster. [[buy on Amazon](#)]

### Course Overview

Economics evolved from the field of moral philosophy and has its origins in the works of Adam Smith, Karl Marx, and even Aristotle. Most importantly, however, markets existed long before economists and philosophers did. This is to say that to be a human is to be, at least occasionally, an economist. Most of you are already making all kinds of economic decisions even if you don't realize it. Perhaps, this is the reason why Alfred Marshall, an early 20<sup>th</sup> century economist, argued that economics is “the study of mankind in the ordinary business of life.” And, the ideas of John Stuart Mill, Maynard Keynes, Milton Friedman, and many other economists have had a profound influence in shaping the world that we live in today.

This course is designed as a one-semester **intensive** study of the basic (micro)economic principles. The focus will be on learning not what to think, but how to think; not what kind of arguments to support, but how to weigh those arguments and make informed decisions. Indeed, those virtues are what inspired the founding fathers and gave rise to liberal democracy and the American constitution—we must solve our problems by untamed debate rather than through oppression of thought. Thus, class discussion is an important component of the course, and respect for the ideas of others is a quality you need to bring to the classroom.

We will start our study by asking a simple question: What is economics and what makes it different from other social sciences? Once we identify the basic economic problem and methodology, we will examine different solutions to it. We will find out that the system of social organization that is the most efficient and conducive to economic stability and prosperity is capitalism. Thus, the rest of the course will be

dedicated to understanding how a free-market economy operates, what makes it so efficient, what happens when free-markets are regulated, and what kind of role consumers, producers, and governments play in it.

Along the way, of course, we will discuss many different issues such as: Is capitalism better than socialism? Should we legalize the market for drugs, human organs, or prostitution? Is war good for the economy? If economic progress has made us richer, are we happier? If capitalism is about competition, why do we see so much concentration of power? Is life invaluable as politicians often tell us? Are people perfectly rational, or do our minds play tricks on us? Why are Americans getting heavier if they can afford to eat healthier food? Is redistribution of income economically justified? Is the stimulus package working, and what are the long-run implications of an ever-growing national debt? to mention a few...

There will be no easy answer. The lack of consensus among economists shows that economics is a very ideological “science” (i.e. the predictions of its models are driven by the assumptions economists make about the world, which are often based on their own beliefs of how things should be, not on objective facts). Your own acceptance of economic models will most likely also be prejudiced by your own intellectual history. The textbook that we will be using this semester does not make an exception in this respect either and will only give you one side of the story. As always there are many others. It is thus our goal to challenge our own preconceived ideas by exploring some of the alternatives for a richer and more complete view.

Finally, I can’t promise you that at the end of the semester you will “know” economics. There is no systematized body of knowledge that upon its mastery you will be able to solve economic problems with certainty as you do in physics or mathematics. This does not mean that we have to discard economics. On the contrary, economics is a powerful tool for understanding human action that can provide us with valuable insights about how people make choices and how these choices affect all of us in the global economy. What I can promise you, then, is that if you are motivated and spend the necessary time to explore new ideas and ways of thinking you will make one more step towards an educated life—and this is something valuable in itself. After all, you will have to make all kinds of choices—both for yourself and for your community—and this is something you can do either intelligently or not.

## **Learning Objectives**

- A. Learn the basic economic principles so that you can examine a variety of social issues from the perspective of economics.
- B. Be able to apply the concepts studied in class to the real world, and understand the political and economic jargon in everyday news.
- C. Develop your critical thinking skills by challenging the existing economic paradigm (the models in your textbook) by exploring theories that are radically different from mainstream economics.
- D. Recognize that even though economic ideas are often abstract and ideologically driven, they are nevertheless a powerful tool for social change.
- E. Become familiar with some major economic debates (as time permits).

## Course Policies

### Attendance

If you do not plan to attend lectures and participate constructively in class discussions, then you should withdraw from this course. Liberal arts education is by its nature aimed at careful self-examination and discussion. While missing lectures will not affect your grade directly, a big portion of your grade will be determined by material covered in class and not available in the textbook. Furthermore, my experience shows that students who miss more than two lectures finish with a grade significantly below average. And students who do not attend lectures regularly fail the course. When you attend lectures, please be respectful to your classmates and your professor—do not text message, fall asleep, use your laptop, talk to your neighbor, or be late. Such violations will reduce your final grade significantly and I reserve the right to fail you from the course if you consistently disrupt lectures.

### Cheating and Plagiarism

University policies regarding academic dishonesty will be rigorously enforced in this class. It is your responsibility to familiarize yourself with these policies and to follow them strictly (refer to the [Student's Honor Code](#)). Pay particular attention to the policy on plagiarism as plagiarism is not limited to word-for-word copying of another's work. You are expected to complete all assignments for this class independently unless the assignment specifically states otherwise.

### Available Help

I encourage you to talk to me after class, to stop by my office or to email me if you have questions regarding assignments, readings, etc. I will be happy to explain material and help you prepare for assignments. If you would like to schedule an appointment please email me with your two best times and I will try to get back to you as soon as I can with what works best for me.

### Grade Disputes

If you want to dispute a particular question(s) that you feel was not graded fairly do this in a civilized manner by turning your request in writing, explaining the reasoning behind your answer, and why you should receive points back. However, if you wish me to re-grade a question, keep in mind that the revised grade may go in the opposite direction you wish it to.

### “Flat Tire on Exam Day” and “Crashed Operating System the Day Paper Is Due” Policy

As the name of this policy suggests, no excuses of this type will be accepted. Make sure you back up your work regularly and have a contingency plan to get to school if your car breaks. It is your responsibility to complete all assignments on time.

## Course Requirements

**Exams** (23 pts each, 69 pts total): There will be three in-class exams. Each exam will include multiple choice, problem-solving, and short essay-type questions. Exams will not be cumulative but knowledge of prior material may be necessary to successfully solve (or understand) some problems later in the course. There will be **no make-up** exams. The only exception will be if the student has a credible reason and provides a convincing proof for their absence (e.g. a note from their personal physician explaining the

nature of their illness). If the student needs to miss an exam for religious reasons I have to be notified at least two weeks in advance.

**Blackboard Discussions** (6 pts each, 12 pts total) An important part of your experience in this course will be two short blackboard discussion forums that will introduce you to important economic debates. You will need to post one entry per forum (500 words minimum) and comment on two posts per forum (100 words minimum). A good discussion post will show evidence that you have worked through the relevant readings and spend some time thinking about the issue. Your work should also be free of typos. It should not be a mere repetition of what was discussed in class (if it was), but should add to the discussion by providing new and relevant information. You should strive to present your argument in a coherent, clear, and more scientific way. Always cite your sources so that other students can access your information readily.

**The Organic Farm Project** (6 pts) An important goal of liberal arts education is to present students with an opportunity to reflect on their own place and responsibility in a world which is becoming increasingly interconnected. In other words, liberal arts education should help students develop their intellectual and moral capacities by exposing them to variety of viewpoints. For this assignment, you will have to volunteer 4 hours at the “organic” farm (don’t worry, for every hour you spend at the farm, you will receive an hour off lectures) and to write one short reflective paper. Of course, this will provide valuable service to the college community, but my hope is that it will also help you gain perspective on several economic concepts.

Many of you have probably never worked on a farm. In fact, most of you probably don’t know where majority of the food you consume every day comes from. One reason for this is the extent of specialization of labor in our modern society. Extreme specialization of labor, as Adam Smith once argued, is a sign of economic prosperity. If you find yourself nodding but without a clear understanding when your best friend’s dad answers your question: “What do you do?” then you know you are probably living in a prosperous society. An important criticism of capitalism, however, is that this detachment from the products we consume daily leads to a loss of sense of wonder, alienation from our own work, and even guilt. The French sociologist Emile Durkheim, for example, observed that as societies get richer, the suicide rate goes up.

After you volunteer on the farm please read the excerpt from “The Life of a Simple Man” by Emile Guillaumin which will be posted on Blackboard. This should give you a good perspective on what life was like for majority of people only 100 years ago (and still in many developing countries around the world today) and help you understand the true meaning of economic growth. In your essay discuss the advantages and disadvantages of specialization of labor—why it is good and why is it bad. Make sure you clearly answer the following questions: Would you rather live a simpler but poorer life in which you are more connected to the stuff you consume or live a life of more stuff in which you are disconnected from the fruits of your labor? Your essay should be typed (Times New Roman, 12 pts, 1 and 1/2 spacing, standard margins, no cover page) and no longer than 2 pages in length.

### **Participation** (up to 19 pts)

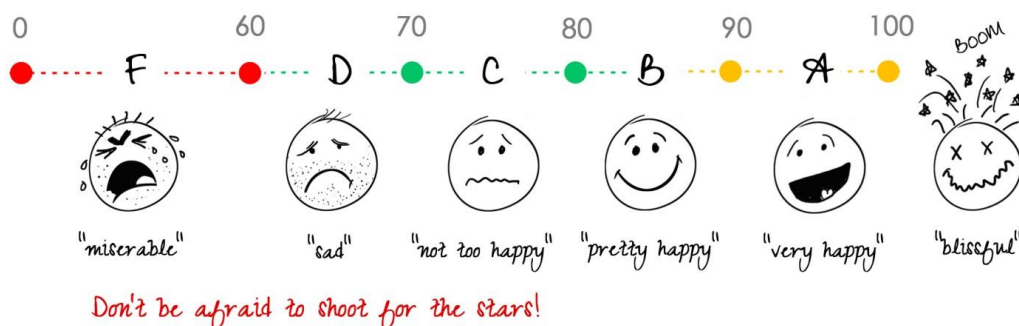
1. **Attendance** (up to 6 pts) Three times during the semester I will ask a student to roll a die to determine participation points for those who are attending the lecture. If the student rolls 1, 2, or 3, everyone will get 1 point. If the student rolls 4, 5, or 6, then everyone will get 2 points.
2. **Article Presentation** (6 pts) An important aspect of this course is to help you relate the abstract concepts studied in class to real world events. This is easier than you might think. Economics is a social science that tries to explain human behavior so almost any article you read in the news will

be related in one way or another to the basic principles in your textbook. For this assignment, you will have to find an online article from a plausible source (e.g. [www.economist.com](http://www.economist.com)) and write a short summary relating its content to a concept studied in class (e.g. diminishing marginal utility, economies of scale, the marginal rate of substitutions, uncertainty, etc.) Be prepared to present it in class for **no more** than 5 minutes. Ideally, you will be able to present your argument using a graphical analysis. The article should be no older than the first day of class and presentations will start on the fifth week of classes.

3. **Short Papers** (1 pt each, up to 6 pts) There will be a number of short paper opportunities during the semester that I will announce. You can complete as many projects as you would like but only up to 5 pts will be taken into consideration in your final grade. Short papers are always due a week from the day they are announced. All short papers should be typed, Times New Roman, 1" margins, and at least 1<sup>1/2</sup> pages long. They should be turned in at the beginning of class. Late papers (or **e-mailed** papers) are not going to be accepted so plan your time accordingly.
4. **Music Video Parody** (2 pts) In this activity, you can create an economic parody song by writing NEW lyrics to a popular song and filming a music video. For full credit, you must substantially rewrite the lyrics so that the song features all original content. The vocalist must also sing to recorded music (no unaccompanied versions). All students in the group must make a cameo in the video.
5. **Pop-culture Project** (2 pts) You can write a two-page paper that describes a movie, television show, song, commercial, or even video game that you think would be an interesting addition to the course. I am interested in new ideas, so the media must be from the past couple of years. Your papers should describe how the media relates to the course material and how it could best be used in class.
6. **Art Medium** (2 pts) In the medium of your choice, you can create your own original work of art that expresses a central concept (or concepts) in economics. Any artistic medium is acceptable as long as it is all original work (i.e., no collages or newspaper cutouts). When the work is complete, you will bring your finished product into class.

**Homework:** You are not going to learn the economic principles if you don't *actively* use them. Therefore I will assign homework for each class period. You are responsible to complete all problems and come to class ready to discuss them. I will not collect your homework but you will have an opportunity to practice similar problems in class. I will post the answers of the homework sets on Blackboard so you can double check your work.

## Final Grade Scale



## Schedule /tentative

Date	#	Topic / Readings	What's DUE
Aug 27, R	0	Introduction to the Course	
<b>Sep 1, T</b>	1	Volunteer at the Organic Farm	
Sep 3, R	2	Ch. 1+2+3: Foundations of Economic Thinking	p.19, # 1, 2, 4, 8, 13 p.38, # 6 & p.61, # 1, 2, 5, 7
<b>Sep 8, T</b>	3	Volunteer at the Organic Farm	
Sep 10, R	4	R: Economic Systems	
<b>Sep 15, T</b>	5	Ch. 4: Supply, Demand & Market Equilibrium	p.86, # 1, 6, 10, 12, 14
Sep 17, R	6	Ch. 6 + 7: Economic Efficiency + Gov. Price Fixing	p.129, # 3, 4, 8, 11 p.152, # 1, 4, 7, 9
<b>Sep 22, T</b>	7	Ch. 5 + 8: Elasticity + The Cost of Taxation	p.108, # 1, 9, 11, 13 p.168, # 4, 5, 10, 11
Sep 25, R	8	<b>Review for Exam 1</b>	
<b>Sep 29, T</b>	9		<b>Exam 1 (Ch. 1, 2, 3, 4, 5, 6, 7, 8)</b>
Oct 1, R	10	Ch. 21: Consumer Choice Theory	Article presentations start p.462, # 1, 7, 12, 15
<b>Oct 6, T</b>	11	R: Behavioral Economics	
Oct 8, R	12	<b>Movie / Discussion</b>	
<b>Oct 13, T</b>	13	Fall Break	
Oct 15, R	14	Ch. 13: Production, Cost, and Profit	p.276, # 2,4, 6,11,12 [BD] Discussion 1
<b>Oct 20, T</b>	15	Ch. 14: Perfect Competition	p.296, # 2, 4, 5, 9
Oct 22, R	16	Ch. 15: Monopoly	p.325, # 1,7,11, 13
<b>Oct 27, T</b>	17	<b>Review for Exam 2</b>	
Oct 29, R	18		<b>Exam 2 (Ch. 21, BE, 13, 14, 15)</b>
<b>Nov 3, T</b>	19	Ch. 16-17: Imperfect Competition & Oligopoly	p.347, # 4, 7,12
Nov 5, R	20	R: Game Theory & the Rise of the State (GT)	p.368, # 4, 6, 8
<b>Nov 10, T</b>	21	Ch. 10-11: Externalities & Public Goods	p.213, # 4, 5, 8, 11 p.230, # 1, 2, 3, 6 p.253, # 1, 2, 3, 4
Nov 12, R	22	Ch. 12: Public Policy & National Debt	
<b>Nov 17, T</b>	23	<b>Review for Exam 3</b>	
Nov 19, R	24		<b>Exam 3 (Ch. 16,17,GT,10,11,12)</b>
<b>Nov 24, T</b>	25	SEA Conference (no class)	
Nov 26, R	26	Thanksgiving	
<b>Dec 1, T</b>	27	<i>Special Topics</i> : The Environment (Home)	[OF Paper]
Dec 3, R	28	<i>Special Topics</i> : Entrepreneurship	
<b>Dec 8, T</b>	29	Conclusions	[BD] Discussion 2
Dec 9, W	30	Reading Day	
<b>Dec 10-16</b>	31	<b>Finals Week</b>	

R = additional readings (available on website), [BD] Blackboard Discussion, [OF] Organic Farm Project