

ECB 102-4
MICROECONOMICS

Instructor: Jerry Savitsky
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Office Hours:

M	11:00 - 12:00
T	2:45 - 3:30
TH	2:45 - 3:30
F	11:00 - 12:00

Class Hours:

M	9:00 - 11:00; 1:15 - 2:45
T	9:00 - 11:00; 1:15 - 2:45
W	9:00 - 11:00
TH	9:00 - 11:00; 1:15 - 2:45
F	9:00 - 11:00

No hours will be added to this class schedule. You are expected to attend every scheduled class meeting.

Course Description:

Microeconomic analysis of consumer choice, the business firm, and market behavior/outcomes under perfect competition and imperfect competition. Analysis and critique of government policy in problem areas such as monopoly power, market failure, and the efficacy of government regulation.

Course Prerequisite:

Two years of high school algebra.

Course Objectives:

The primary objective of this course is to introduce and apply fundamental microeconomic principles students can employ on their own to understand and explain what they observe in the world outside the classroom. Or, to use a phrase coined by Robert Frank and Ben Bernanke, the primary objective of this course is to encourage students to become "economic naturalists." The list of concepts an economic naturalist employs is not very long. Among the fundamental principles we will focus on in this course are:

- scarcity and opportunity costs
- marginal benefit/marginal cost decision-making and economic rationality
- the law of diminishing marginal returns and increasing marginal opportunity costs
- the role of market prices
- economic efficiency and social welfare analysis.

Educational Priorities and Outcomes:

This course supports the Educational Priorities and Outcomes of Cornell College with emphasis on **knowledge** (develop insights into how competitive markets and imperfectly competitive markets function), **inquiry** (apply economic models and social welfare analysis to public policy issues), and **reasoning** (employ graphical and mathematical models to facilitate economic analyses and support conclusions).

Course Text:

Robert Frank, Ben Bernanke, Kate Antonovics, and Ori Heffetz, *Principles of Microeconomics: A Streamlined Approach* (3rd edition - 2017)

Readings from the text will be assigned in advance of the class lectures on the material. You are expected to do the assigned readings before the corresponding lectures.

Additional readings from other sources will be assigned from time to time. I will distribute these readings to you directly via Cornell e-mail in advance of the class discussions of the readings. You are expected to bring printed copies of these assigned readings with you to class.

Blogs, Newspapers and Magazines:

You are strongly encouraged to keep up with what is going on in economics. This is pretty easy to do these days with the proliferation of blogs, on-line newspapers and on-line magazines. You ought to look at some of the blogs, newspapers and magazines listed below and on the next page on a fairly regular basis. These websites (and many others) cover a wide range of topics typically discussed by economists, and serve as excellent examples of how economists think and how we argue (fight?) with each other. Be sure to take a look at the comments (where available). They often are more interesting and thought-provoking than the original postings/articles themselves.

The following list is, by no means, a complete list of blogs, newspapers and magazines worthy of consideration. It is simply a list of websites I tend to visit on a regular basis. Feel free to let me and your classmates know about other economics-oriented blogs, newspapers and magazines you read on a regular basis.

Blogs

Greg Mankiw's Blog at <http://gregmankiw.blogspot.com>

CARPE DIEM at <http://www.aei-ideas.org/channel/carpe-diem/>

Freakonomics Blog at <http://freakonomics.com/blog/>

Cafe Hayek at <http://cafehayek.com/>

Steven Landsburg at <http://thebigquestions.com/blog/>

Economists do it with Models at <http://economistsdoitwithmodels.com/>

IGM Forum at <http://www.igmchicago.org/igm-economic-experts-panel>

Newspapers and Magazines

The New York Times at <http://nytimes.com/>

The Washington Post at <http://washingtonpost.com/>

Wall Street Journal at <http://online.wsj.com/home-page>

The Economist at <http://economist.com/>

Problem Sets:

Problem sets will be assigned on a fairly regular basis. Some of the problems and questions will come from the textbook and some will come from me. The best way to learn economics is by “doing economics.” So, your work on the problem sets will be an important determinant of how much economics you learn this term. I will be available from 8:15-9:00 (before class) every morning and during regularly scheduled office hours to help you work through any difficulties you might encounter on the problem sets. Your answers and solutions will not be collected and graded, and I will not be handing out “answer keys” to the problem sets. Questions from the problem sets will appear on exams.

Exams:

There will be three (3) closed-book, closed-notes, in-class exams this term. The exam schedule is as follows:

first exam - 9:00 AM on Tuesday, December 4

second exam - 9:00 AM on Tuesday, December 11

third exam - 9:00 AM on Wednesday, December 19.

The exams will consist of short-answer essay questions and problems, and will cover material from class lectures, problem sets, and reading assignments. Make-up exams will not be offered under any circumstances. An excused absence from one of the first two exams may be offered under extreme circumstances, provided you notify me in person prior to your absence from the exam. Please note that the definition and application of “extreme circumstances” are at my discretion. Also, please note that an excused absence from the third exam will not be offered under any circumstances.

Course Grades:

Your course grade will be determined by your performance on the three exams. Each of the first two exams will count 30% toward your course grade. The third exam will count 40% toward your course grade.

Tutors and Peer Consultants:

Cornell's chapter of Omicron Delta Epsilon (ODE) makes tutors available for introductory ECB courses (ECB 101, ECB 102, ECB 121, and ECB 151). The ODE tutors for this course are Austin Green (agreen20@cornellcollege.edu) and Makoto Ono (mono20@cornellcollege.edu). Please get in touch with them via their Cornell e-mail addresses to make arrangements for tutoring sessions if you think they might be of some assistance to you.

The Quantitative Reasoning Studio (located in the library) employs a number of peer consultants from a variety of majors, including ECB. The ECB majors who serve as peer consultants will be able to help you with the economics and the mathematics you will encounter this term. Peer consultants who are not ECB majors will be able to help you with the math but probably not with the economics. So, you might need to plan ahead if you want to meet with a peer consultant who is an ECB major.

Electronic Gizmos and Gadgets:

ALL electronic gizmos and gadgets must be **TURNED OFF** and put away (completely out of sight and out of reach) during class. The only exception will be stand-alone calculators during the second and third exams. Those who violate this regulation will be "asked" to leave the classroom for the remainder of the session (including exams) and will be penalized 25 exam points at the end of the term for each occurrence.

Academic Honesty:

Cornell College expects all members of the Cornell community to act with academic integrity. An important aspect of academic integrity is respecting the work of others. A student is expected to explicitly acknowledge ideas, claims, observations, or data of others, unless generally known. When a piece of work is submitted for credit, a student is asserting that the submission is her or his work unless there is a citation of a specific source. If there is no appropriate acknowledgement of sources, whether intended or not, this may constitute a violation of the College's requirement for honesty in academic work and may be treated as a case of academic dishonesty. The procedures regarding how the College deals with cases of academic dishonesty appear in The Compass, our student handbook, under the heading "Academic Policies – Honesty in Academic Work."

Americans with Disabilities Act (ADA):

Cornell College makes reasonable accommodations for persons with disabilities.

Students should notify the Coordinator of Academic Support and Advising and their course instructor of any disability related accommodations within the first three days of the term for which the accommodations are required, due to the fast pace of the block format. For more information on the documentation required to establish the need for accommodations and the process of requesting the accommodations, see

<http://www.cornellcollege.edu/academic-support-and-advising/disabilities/index.shtml>.

Course Outline:

What follows is a very broad outline of the topics we will cover in this course. Detailed reading assignments from the course text will be made as we move through the term.

I. Introduction to Demand and Supply Analysis (Perfect Competition)

- A. Market Characteristics (Assumptions)
- B. Demand Theory
 - 1. Individual Consumer Behavior
 - 2. Market Demand
- C. Supply Theory
 - 1. Individual Firm Behavior
 - 2. Market Supply
- D. Market Equilibrium (Short-Run)
- E. Comparative Statics Analysis

II. Applications and Extensions (Perfect Competition)

- A. Own-price Elasticity of Demand
- B. Taxes and Subsidies
- C. Economic Profits/Losses and Long-Run Equilibrium
- D. Social Welfare Analysis and Economic Efficiency
- E. Externalities
 - 1. Consumption Externalities
 - 2. Production Externalities
 - 3. Social Welfare Implications of Externalities
 - 4. Government Policy Responses

III. Monopoly

- A. Market Characteristics (Assumptions)
- B. Simple Monopoly
- C. Price-discriminating Monopoly
- D. Natural Monopoly
- E. Social Welfare Implications of Monopoly
- F. Government Regulation

IV. Oligopoly

- A. Market Characteristics
- B. Cournot Duopoly
- C. Bertrand Duopoly
- D. Spatial Competition
- E. Introduction to Game Theory