

Intermediate Microeconomics

ECON 201 (Section 03J)

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T R 3:30-5:10 PM
Humanities 201

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Required Textbook

Nicholson, Walter and Christopher Snyder (2009). *Intermediate Microeconomics and Its Applications* (11th ed.). Cengage Learning. [\[buy on Amazon\]](#)

Thaler, Richard and Cass Sunstein (2009). *Nudge: Improving Decisions about Health, Wealth, and Happiness*. Penguin Books. [\[buy on Amazon\]](#)

Frank, Robert (2008). *The Economic Naturalist*. Basic Books. [\[buy on Amazon\]](#)

Course Overview

Learning economics is like learning how to walk. It takes a few years and a lot of practice. You will fall. You will get bruised. You may even end up in tears from time to time. But once you master the skill, it will be indeed like walking—the benefits will be large and you won't even notice the ease with which they come to you. In your principles of microeconomics course, you took your first baby steps. Now it's time to learn how to stay on your feet. You will do this by repeating and practicing the basic ideas from before—supply & demand, utility maximization, strategic behavior, etc. We will of course elaborate on many of these ideas and introduce new concepts such as uncertainty or asymmetric information. The main difference will be the more rigorous way of learning. This means that a lot more emphasis will be placed on the quantitative nature of economic concepts, which will require solving many mathematical problems. And, yes, mathematics can be fun. But this is something that you will have to figure out for yourself. As most things in life, you will have to find meaning in what you are doing this semester. My role is to only facilitate your own endeavor to excel in the subject; not to do the work for you.

The topics will be the familiar ones. We will start with a discussion of some core economic ideas and then move on to consumer choice theory. Here we will try to provide an account of human behavior—how consumers allocate their scarce time and resources, especially in the marketplace. Unlike your principles courses where we made the assumption that consumers are operating in a domain of certainty, now we will extend our model to include the unpredictability of some events. We will then move on to producer choice theory. The goal here will be to come up with an account of how most businesses operate in a free market economy. We will finish by looking at some common failures of the market system—public goods, externalities, and moral hazard. Along the way we will discuss the welfare implication of many of the concepts we will study and look at different applications of the

abstract material in the book—do different types of economic regulation work, are Americans overworked, does anti-sweatshop movement help or harm workers in developing economies, what can we do about global warming, etc. We will finish the course by taking a sneak preview of some of the most exciting developments in recent years—the field of behavioral and happiness economics.

Learning Objectives

- A. Study the basic microeconomic principles at the intermediate level (i.e. with more math)
- 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 interesting economic applications (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. After two absences, excused or unexcused, your grade will go down by half a letter grade for each additional absence. Research shows that students are not the best judges of what's good for them, so this policy will help you be more successful in the long-run. My experience also 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 repeated violations will reduce your final grade significantly.

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 your two best meeting times. Please include in your email the purpose of your appointment so I can prepare for it appropriately.

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 too (more often this is the end result). Your grade appeal has to be submitted no later than 5 business days after you received your grade. I will not accept any appeals beyond that.

“I saw a flash light that came out of a giant flying saucer while driving on I-20 east and woke up 7 days later missing my exam, *you know*” 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 in case your car beaks. It is your responsibility to complete all assignments on time.

Course Requirements

Quizzes (Mini-Exams) (15% each, 60% total): Regular reading of the textbook is essential for your success in this class. Therefore, there will be four in-class quizzes announced ahead of time that will test your understanding of the material covered in class (for exact dates, look at the schedule of readings). Each quiz will include multiple choice, problem-solving, and short essay-type questions. The quizzes 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** quizzes. 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.

Article Presentation (10%) You will be required to find an online article from a plausible source (e.g. 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 5-10 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.

Your paper should be typed (Times New Roman, 12 pts, 1 and 1/2 spacing, standard margins, no cover page) and have two sections: (a) summary of the article, and (b) relation to course material. The first section should be a concise and clear summary of the article — what is the main point/argument that the author of the article is trying to make. The second should be a discussion of how the article relates to course material. I am more interested in this latter part of your paper, which should be the lion’s share of it. Using graphs is a good way to show that you understand basic ideas. The most interesting and well-written articles will be added to the course webpage and will receive bonus points.

The Economic Naturalist (10%) An important part of your experience in this course will be two short writing assignments designed to foster your skills as an economic naturalist. In each of these papers,

your assignment is to use a principle, or principles, discussed in the course to explain some pattern of events or behavior that you personally have observed. Numerous examples are discussed in the text and many others will be discussed in class.

Your space limit is 500 words. Many excellent papers are significantly shorter. Please do not lard your essay with complex terminology. Imagine yourself talking to a relative who has never had a course in economics. The best papers are ones that would be clearly intelligible to such a person, and typically these papers do not use any algebra or graphs. You need not include a bibliography. This assignment is not a PhD dissertation. You are not expected to do voluminous research in support of your argument, although a relevant fact or two might help convince yourself and others that you are on the right track. It makes no difference whether your topic is “important,” but try, as best you can, to choose something interesting. A really successful paper is one that begins with a really interesting question (one that makes the listener instantly curious to learn the answer) and then uses an economic principle or principles to construct a plausible answer. You’ll know you have a good paper if the first thing your roommate wants to do upon reading it is to tell friends about it. (Frank, 2006)

Organic Farm Service Learning Project (10%) 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. Put another way, 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 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.

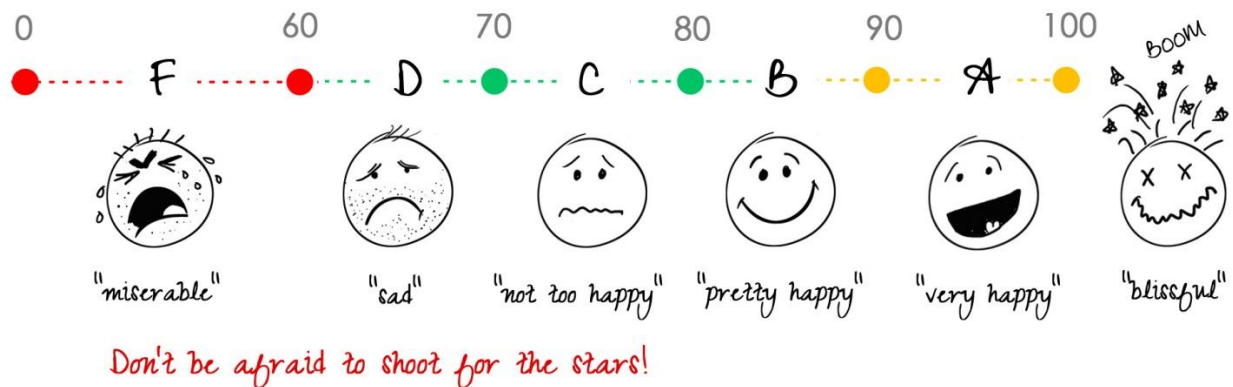
Many of you have probably never worked on a farm. In fact, most of you probably don’t know where majority of the food you consumer every day comes from. One reason for this is the extent of specialization of labor in our modern society. Extreme specialization of labor, as Adam Smith once argued, is a sign of economic prosperity. 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.

Presentation (10%) One of your assignments this semester will be to read the book *Nudge: Improving Decisions about Health, Wealth, and Happiness*. At the beginning of the semester, I will assign each one of you a chapter from the book and a partner. Together with your partner you will have to present the assigned chapter from the book in 15 minutes at the end of the semester. Your goal will to summarize clearly the contents of the chapter but also relate them to the principles studied in this class and explain the main lessons learned from it. Your presentation will be successful if you spark the interest of your classmates so that they are eager to ask question after you finish.

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 because one of the goals of college education is to give you an opportunity to learn how to be more responsible and independent. I will post the answers of the homework sets (most of which are also available to the companion website) so you can double check your work.

Your **final grade** will be determined by the following scale:



Schedule /tentative

Date	#	Topic / Readings	What's DUE
Aug 28, R	1	Introduction to the Course	
Sep 2, T	2	Ch. 1: Economic Models + Appendix Ch.1	HW, p.22 #1.1, 1.3,1.5,1.7
Sep 4, R	3	Volunteer at the Organic Farm	
Sep 9, T	4	Volunteer at the Organic Farm	
Sep 11, R	5	Ch. 2: Utility and Choice	HW, p.85 #2.1, 2.5,2.8,2.10
Sep 16, T	6	Ch. 2: Utility and Choice	
Sep 18, R	7	Ch. 3: Demand Curves	HW, p.133 # 3.1, 3.4,3.6,3.10
Sep 23, T	8		Quiz 1 (Ch.1, 2)
Sep 25, R	9	Ch. 4: Uncertainty	HW, p.173 # 4.6,4.8,4.9
Sep 30, T	10	Ch. 5: Game Theory	HW, p.209 # 5.1, 5.2, 5.3, 5.5 Article presentations start
Oct 2, R	11	Ch. 5: Game Theory / Review Quiz	HW, p.210 # 5.7, 5.8, 5.10
Oct 7, T	12		Quiz 2 (Ch.3,4,5)
Oct 9, R	13	Ch. 6: Production	HW, p.239 # 6.1, 6.3,6.7, 6.10 [EN] Assignment 1
Oct 14, T	14	Fall Break	
Oct 16, R	15	Ch. 7: Costs	HW, p.271 # 7.1, 7.3, 7.5, 7.7, 7.9
Oct 21, T	16	Ch. 8: Profit Maximization & Supply	HW, p.297 # 8.1, 8.3,8.6,8.9
Oct 23, R	17	Ch. 8: Profit Maximization & Supply	
Oct 28, T	18	Ch. 9: Perfect Competition /	HW, p.341 # 9.1, 9.3, 9.7, 9.9
Oct 30, R	19		Quiz 3 (Ch. 6, 7, 8, 9)
Nov 4, T	20	Ch. 11: Monopoly	HW, p.405 #11.1, 11.3,11.5,11.9
Nov 6, R	21	Ch. 12: Imperfect Competition	HW, p.445 #12.1, 12.3,12.5,12.9
Nov 11, T	22	Ch. 16: Externalities & Public Goods	HW, p.597 #16.1, 1.3,1.5,1.7
Nov 13, R	23	Ch. 16: Externalities & Public Goods	[OF] Paper
Nov 18, T	24	Ch. 17: Behavioral & Happiness Economics	HW, p.643 #17.1, 17.3, 17.5, 17.9
Nov 20, R	25	Ch. 17: Behavioral & Happiness Economics	
Nov 25, T	26		Quiz 4 (Ch. 11, 12, 16, 17)
Nov 27, R	27	Thanksgiving	
Dec 2, T	28	[NUDGE] Presentations	
Dec 4, R	29	[NUDGE] Presentations	[EN] Assignment 2
Dec 9, T	30	[NUDGE] Presentations	
Dec 11-	31	Finals Week – Presentations (if needed)	

* Additional readings may be assigned during the semester. You are responsible to attend lectures and to inform yourself about any additional requirements announced in class.

[EN] Economic Naturalist (see syllabus), [OF] Organic Farm Project