

Principles of Microeconomics

ECON 101 (Section 08A)

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Required Textbook

Mankiw, Gregory. (2011). *Principles of Microeconomics* (6th 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](#).

Kahneman, Daniel (2011). *Thinking, Fast and Slow*. Farrar, Straus and Girous. [[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 20th 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 on 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. 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 is supposed to help you be more successful in class. This is because 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.

¹ The following penalties will be enforced in the case of: Sleeping: You will lose 40 pts on one of your exams. Text-messaging & laptop use: You will lose 25 pts on one of your exams. Being more than 5 minutes late: You will lose 10 pts on one of your exams. To be fair to you, the same rules will apply to me as well. Only I will award the same number of points in case I happen to violate these rules.

Course Requirements

Exams (21% each, 63% 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.

Article Presentation (10%) 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) 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.

Blackboard Discussions (10%) 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.

Presentation (10%) One of your assignments this semester will be to read the book *Thinking, Slow and Fast*. At the beginning of the semester, I will assign each one of you two chapters from the book and a partner. Together with your partner you will have to present the assigned material from the book in 15 minutes. This book challenges the traditional economic models which rest on the assumption that people are perfectly rational and have time-consistent preferences. Yet, in the past several decades behavioral psychologists have discovered many cognitive biases (systematic mistakes) in people's decision making. This assignment will help you hone your critical thinking skills and challenge you to think beyond the pages of your textbook. Your goal will be to summarize clearly the contents of the assigned chapters but also relate them to the principles studied in this class and explain the main lessons learned from them. Your presentation will be successful if you spark the interest of your classmates so that they are eager to ask questions at the end of your presentation.

The Organic Farm Service Learning Project (7%) 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 and constantly changing. 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 discussion post. 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.

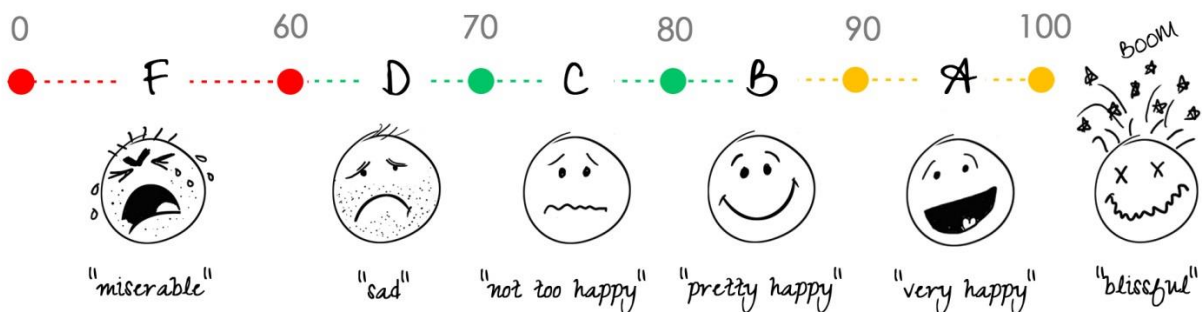
After you volunteer on the farm please read the excerpt from "The Life of a Simple Man" by Emile Guillaumin which will be posted on Blackboard. This should give you a good perspective on what life was like for majority of people only 100 years ago (and still in many developing countries around the world today) and help you understand the true meaning of economic growth. In your discussion post address the advantages and disadvantages of specialization of labor—why it is good and why it is 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?

Extra Credit (2%) There will be a number of extra credit opportunities during the semester that I will announce. You can complete as many projects as you would like but only up to 2% will be taken into consideration in your final grade formation. Extra credit is always due a week from the day it is announced. All extra credit papers should be typed, Times New Roman, 1" margins, and at least 1^{1/2} 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.

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 on Blackboard so you can double check your work.

Final Grade

Your final grade will be based on the following scale:



Don't be afraid to shoot for the stars!

Schedule /tentative

Date	#	Topic / Readings	What's DUE
Aug 27, W	1	Introduction	
Aug 29, F	2	What is Economics? Why study it?	
Sep 1, M	3	No Class – Labor Day	
Sep 3, W	4	Foundations of Economic Thinking, Ch. 1	p.19, # 1, 2, 4, 8, 13
Sep 5, F	5	Basic Economic Lessons, Ch.2 + Ch.3	p.38, # 6 & p.61, # 1, 2, 5, 7
Sep 8, M	6	Volunteer at the Farm	
Sep 10, W	7	Volunteer at the Farm	
Sep 12, F	8	Volunteer at the Farm	
Sep 15, M	9	Supply & Demand, Ch. 4	p.86, # 1, 6, 10, 12, 14
Sep 17, W	10	Market Equilibrium, Ch. 4 + R	
Sep 19, F	11	S & D Experiment	
Sep 22, M	12	Elasticity, Ch. 5 + R	p.108, # 1, 9, 11, 13
Sep 24, W	13	Government Price Fixing, Ch. 6 + R	p.129, # 3, 4, 8, 11 Discussion 1
Sep 26, F	14	Consumers, Producers, and Market Efficiency, Ch. 7 + R	p.152, # 1, 4, 7, 9
Sep 29, M	15	Application: The Cost of Taxation, Ch. 8	p.168, # 4, 5, 10, 11
Oct 1, W	16	Movie / Discussion	Article presentations start
Oct 3, F	17	Review for Exam 1	
Oct 6, M	18		Exam 1
Oct 8, W	19	Consumer Choice Theory, Ch. 21 + R	p.462, # 1, 7, 12, 15
Oct 10, F	20	Choice Under Uncertainty	
Oct 13, M	21	Fall Break	
Oct 15, W	22	Behavioral Economics	
Oct 17, F	23	Movie / Discussion	
Oct 20, M	24	[Thinking, Fast & Slow] Presentations	G1, G2, G3
Oct 22, W	25	[Thinking, Fast & Slow] Presentations	G4, G5, G6
Oct 24, F	26	[Thinking, Fast & Slow] Presentations	G7, G8, G9
Oct 27, M	27	[Thinking, Fast & Slow] Presentations	G10, G11, G12
Oct 29, W	28	[Thinking, Fast & Slow] Presentations	G13, G14, G15
Oct 31, F	29	Profit Maximization, The Cost of Production, Ch. 13	p.276, # 2,4, 6,11,12
Nov 3, M	30	Pure Competition, Ch. 14	p.296, # 2, 4, 5, 9,
Nov 5, W	31	Monopoly, Ch. 15 + R	p.325, # 1,7,11, 13
Nov 7, F	32	Review for Exam 2	
Nov 10, M	33		Exam 2
Nov 12, W	34	Imperfect Competition, Ch. 17	p.347, # 4, 7,12
Nov 14, F	35	Oligopoly, Ch. 17	p.368, # 1, 2, 7, 10,
Nov 17, M	36	Game Theory & the Public Sector, R	p.368, # 4, 6, 8
Nov 19, W	37	Market Externalities, Ch. 10 + R	p.213, # 4, 5, 8, 11
Nov 21, F	38	Public Goods & Common Resources, Ch. 11	p.230, # 1, 2, 3, 6
Nov 24, M	39	SEA Conference – no class	Discussion 2
Nov 26, W	40	Thanksgiving Break – no class	
Nov 28, F	41	Thanksgiving Break – no class	
Nov 1, M	42	Public Policy & National Debt, Ch. 12	p.253, # 1, 2, 3, 4
Dec 3, W	43	Movie / Discussion	
Dec 5, F	44	Concluding Remarks, Where do we go from here?	
Dec 9, M	45	Review for Final	
Dec 16, R	46	Final	9am-12pm

R = additional readings (available on website), N = class notes, G=group number