

EC 11: INTRODUCTION TO MICROECONOMICS FALL 2001

Instructor: Dr. Kathryn Nantz
Office: DM 323
Phone: 254-4000, x. 2271
E-mail: Nantz@fair1.fairfield.edu

Office Hours: T, 1:45-2:45
W, 1:30-2:30
F, 9:30-10:30
Others by appointment.

Class website: <http://www.blackboard.com/courses/EC11H>

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- I. **INTRODUCTION** – Welcome to Ec 11, your first intensive course in microeconomic analysis. This semester we will be investigating a series of questions that will help us to understand people’s decision-making behavior. Economics is a *social science* and as such concerns itself with what makes people “tick”.

The primary objective of the course is to introduce you to the *economic way of thinking* – i.e., to help you learn how economists analyze problems faced by individuals, businesses, and governments. Economics does not have easy answers for all problems, but economic forces are powerful and pervasive. Few modern problems can be fully understood or remedied without looking closely at the economic agents, interests and incentives that influence, or are influenced by, the problems at hand. Consider headlines from *The New York Times* on Wednesday, August 29, 2001:

- “The (Almost) Untouchables of California” reviews the debate over the impact of booming suburban development on the natural environment. What’s more important, increasing the supply of housing or maintaining open space in suburban neighborhoods?
- “Small Lab in Sweden Holds a Huge Trove of Stem Cells” discusses the importance of the existing supply of embryonic stem cells after the recent decision by President Bush on stem cell research.
- “Gateway to Cut 5,000 Jobs” reports on yet another layoff by a major employer, increasing speculation that the “recession” is here to stay.

In each of these instances, people are deciding how to *allocate scarce resources*, trying to make the most out of what they have. This common theme will run through this entire semester.

As stated above, this is a course in *microeconomics*, which means that we will be focusing on the behavior of *individual* economic agents; this is in contrast to *macroeconomics*, which focuses on *groups* of individuals that are treated as single decision-making units. This semester we will be describing markets for particular goods, like computers or haircuts; we will be describing the behavior of individual consumers, like you or me; we will be analyzing the decisions of particular firms, like General Motors or Microsoft. This will allow us to better describe and understand the economic decisions that must be made each day by all of us.

- II. **COURSE GOALS** – This course has been redesigned to allow you the opportunity to more actively *do* economics, rather than just learn about economic theory. As you know, we will meet for fifty minutes twice each week in a lecture/discussion format (Tuesdays, 9:30-10:20 and Wednesdays, 9:00-9:50). For our third fifty-minute session we will meet in smaller groups in CNS 304 for a lab experience. You should each have scheduled this third session, you will come EITHER Tuesday, Wednesday, or Friday, 11:00-11:50.

PLEASE NOTE: This section of Ec 11 has *NO MORE* meeting time than any other section! Though we refer to this third fifty-minute session as a “lab”, it is not an add-on, or extra time period. Instead, we are taking this third fifty-minute session, which every other section of Ec 11 has, to do more hands-on, applied work. In the computer lab we will be able to use the tools and concepts we learn in class to test hypotheses, to run simulations, and to do economic experiments. In this more active learning format, we hope that you will find economic theory to be fun and useful!

As a whole, this course is designed to help you:

- Understand the ways that economists pose and answer questions,
- Develop the vocabulary needed to talk about economic issues,
- Use analytical tools to describe decision-making processes employed by individuals and firms,
- Apply economic reasoning to real-world situations.

III. **TEXTBOOK** – The textbook for this course is *Microeconomics*, 17th edition, by Paul Samuelson and Bill Nordhaus. I chose it because the writing is clear and concise. The diagrams are carefully done and easy to follow. I think that you will find it to be a good reference to be used alongside your class notes. Also, my colleague, Larry Miners, and I put together the Study Guide that accompanies the text. I think that this Guide will help you to prepare for exams and quizzes. (I will donate the small royalty that I receive from the sales of your Guides to an orphanage in Africa that my church sponsors.)

I will be using a multimedia computer and PowerPoint in class to display course material. I will post slides on the course web page. However, the slides do not represent a complete set of notes for any day's class. Rather, they will help to guide us through a particular class meeting. You may want to print them out and use them for studying, but they are no replacement for class attendance.

IV. ASSIGNMENTS

A) **Daily assignments** – Daily reading assignments are listed on the attached syllabus. Supplementary reading handouts will be distributed in class often; it is **YOUR RESPONSIBILITY** to obtain copies of these if you must be absent from class. You are responsible for all reading, problem assignments, and class material on exams and quizzes. You are strongly advised to read a national newspaper regularly (*The Wall Street Journal*, *The New York Times*, *The Washington Post*, etc.) This semester, critical economic issues will be debated in the national press and in our classroom as we try to track the path of this "recession", should it ever actually come to pass.

It is very important that you come to class for several reasons. First, the material that is covered in class will help to clarify difficult economic concepts. Most students find that they cannot master this material without some help. Second, class discussion and participation will be an important part of the course. I expect you to ask and answer questions in class every day. In the lab sessions we will work in small groups and run simulations. Coming to class will provide all of us with the opportunity to learn from one another and to relate economic concepts to current events.

Unexcused cuts in excess of five will begin to lower your final grade in the course. You will lose ½ letter grade for every five class-periods that you miss.

B) **Lab Work** -- Each of the 12 lab sessions will involve some sort of hand out or exercise that you will need to work on during the session. Each worksheet will be worth 6 points. In some cases, you will have portions of the assignment to complete at home. I will count your highest 10 scores on these worksheets towards your final grade.

C) **EXCEL Problems** – The economics department has developed a spreadsheet problem-solving package for students in Ec 11. The assignments are all applications of the material presented in class and in your text; you can use the computer to do many calculations and graphs quickly and easily! Although there are some initial costs involved with learning the package, most students find that working with Excel is fun and profitable. **Many employers look for employees who can use spreadsheets!!** You will find that knowing Excel may help

you find a summer job or a permanent job, and may be helpful in other courses that you take here at Fairfield.

Your grades on these assignments will be almost equal in weight to an intra-term test score. However, since you will be completing them using your text and notes, you can usually count on a relatively good score. More information on Excel will be forthcoming in the first lab session. Assignment due-dates are listed on the attached syllabus.

- D) **Exams** – Three intra-term exams will be given as scheduled on the attached syllabus. A comprehensive final will be given on the date scheduled for this course by the University registrar. Exams will be composed of essay questions and problems that you should be able to solve when the time comes.
- E) **Threaded discussion postings** -- In this course we will be using some threaded discussion software to continue our class discussions in cyberspace. The URL for the Blackboard site is:

<http://www.blackboard.com/courses/EC11H>

We will get up and running with accounts for you in our first lab session.

I will expect you to post at least 2 messages to the board each month (September, October, November, December) this semester. You may respond to an existing topic or begin a new "thread"; you will receive 5 points for each posting. Each posting you make beyond 8 will earn you 2 bonus points, to a maximum of 15 postings total. You are welcome to post more than 15 times, you just will receive no further credit.

When you post a message, your name and the date are attached, so I will be able to monitor your activity. You will get 5 points for each message you post up to 8. You are welcome to post as often as you like, but the messages you post must be related to the course and must be relevant to the discussion that is ongoing. Saying something as simple as, "I agree with someone else." Is not sufficient.

On the last day of each month I will close the discussion board. We will start from scratch on the first of each month. This is not meant to be punitive, when the board gets full it moves slowly and is hard to manage. However, this means you need to be working on this assignment throughout the semester, and keeping up with what is on the board.

- V. **GRADING** – Course grades will be based primarily on your performance on exams and course assignments. I score your output, not the inputs used to generate that output. Your course grade will NOT be based on the number of hours you study, how badly you want to pass the course, or whether or not you are a nice person. The distribution of points will be as follows:

Final exam.....	100 points
Intraterm exams (3@60each).....	180 points
Lab work (<u>10@6</u> each).....	60 points
Excel (<u>5@15</u> each).....	75 points
Discussion board.....	40 points

TOTAL.....455 POINTS

If you need help with course material at any time, please feel free to make an appointment with me or come by during my office hours. I love economics, I like to work with students, and I am anxious to help you learn this course material. However, it is up to you to let me know if you do not understand what we are doing in class. I assume that you will seek me out if you want my help.

**TENTATIVE SYLLABUS – EC 11
FALL 2001**

This syllabus will help you to keep up with reading assignments for the course. Though the assignments are sometimes short, you do not want to neglect the reading for long periods of time. It may take a lot of time to digest even a few pages when economic concepts require mathematical, graphical, and verbal explanations.

DATE	TOPIC	READING ASSIGNMENT
<i>WEEK #1: INTRODUCTION TO THE ECONOMIC WAY OF THINKING</i>		
Sept. 5	Introduction to economics	p. 3-8
Sept. 11	Opportunity costs / pretest	18- 24
	<i>LAB #1: Introduction to Blackboard and Excel</i>	
<i>WEEK #2: TRADE THEORY</i>		
Sept. 12	Production possibilities frontiers	8- 17
Sept. 18	International trade	386-409
	<i>LAB #2: Trade patterns and comparative advantage</i>	
<i>WEEK #3: THE "INVISIBLE HAND" AND MARKETS</i>		
Sept. 19	Markets	25-45 (skim) 46-54
	Excels 1A, 1B, 2A, and 2B are due September 19.	
Sept. 25	Equilibrium and price determination	55-63
	<i>LAB #3: Market experiment in action</i>	
<i>WEEK #4: ELASTICITY</i>		
Sept. 26	Measuring market responsiveness: Elasticity	67-75
Oct. 2	Government intervention into markets	75-84
	<i>LAB #4: Markets and government policy</i>	
<i>WEEK #5: TEST AND HOMEWORK DUE!</i>		
Oct. 3	TEST #1	
Oct. 9	Review exam	
	<i>NO LAB MEETING -- Excels 4, 5 are due October 9.</i>	
<i>WEEK #6: WHAT MAKES CONSUMERS "TICK"?</i>		
Oct. 10	Consumer theory	85-101
Oct. 16	Households as producers	234-242
	<i>LAB #5: Budgets and Consumer Utility</i>	
<i>WEEK #7: WHAT MAKES FIRMS "TICK"?</i>		
Oct. 17	Production theory	108-118
Oct. 23	Cost theory	125-134
	Excel 6 is due October 23.	
	<i>LAB #6: Excel and graphing production data</i>	

WEEK #8: MARKET STRUCTURES -- PERFECT COMPETITION

Oct. 24	Perfect competition – short run	147-152
Oct. 30	Perfect competition – long run	152-165
	<i>LAB #7: The Market for Visa Contracts</i>	

WEEK #9: MARKET STRUCTURES -- MONOPOLY

Oct. 31	Monopoly markets	166-176
Nov. 6	Monopoly pricing strategies	176-182
	<i>LAB #8: The Role of Patents and Monopoly Power</i>	

WEEK #10: TEST AND ANTITRUST

Nov. 7	TEST #2	
Nov. 13	Antitrust and regulation	344-362
	<i>LAB #9: Market Simulation -- Gasoline Pricing</i>	

WEEK #11: MARKET STRUCTURES -- MONOP COMP AND OLIGOPOLY

Nov. 14	Monopolistic competition	183-202
Nov. 20	Oligopoly and strategic behavior	203-211
	<i>LAB #10: Measuring Market Concentration</i>	

WEEK #12: MARKET FAILURE AND THANKSGIVING

Nov. 21	THANKSGIVING HOLIDAY	
Nov. 27	Can markets really “fail”?	322-328
	NO LAB MEETING -- Excels 8 and 9 due November 27.	

WEEK #13: MARKET FAILURE -- EXTERNALITIES

Nov. 28	Externalities	363-384
Dec. 4	Income distribution and equity	225-242
		385-394

LAB #11: The "Optimal" Level of Pollution??

WEEK #14: COURSE WRAP-UP

Dec. 5	TEST #3	
Dec. 11	COURSE REVIEW	

LAB #12: Three Cheers for Markets??

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FINAL EXAM: Thursday, December 20, 1:30 p.m.