

SOUTHEAST MISSOURI STATE UNIVERSITY

COURSE SYLLABUS

Department of: Economics and Finance

Updated Spring 2010
Course No: EC215

Title of Course: Principles of Microeconomics

I. Catalog Description and Credit Hours of Course

U.S. market economic system. Demand, supply, competition, pricing, resource allocation concepts applied to issues in business, labor, and public policy. (3)

II. Prerequisite(s)

Sophomore standing.
AD101 Introduction to Microcomputer Applications or
BA100 Fundamentals of Computer Applications
MA134 College Algebra or equivalent

III. Purposes or Objectives of the Course

- A. Create an awareness and understanding of fundamental of resource allocation in the U.S. market system
- B. Enlarge the students' ability to reason analytically and objectively
- C. Establish in the students an interest and appreciation for the relevance of the economic approach as it applies to important issues
- D. Expand the ability to function responsibly in one's natural, social and political environment

IV. Expectations of Students

Normal expectations, including two hours of outside preparation for each one hour of class.
Periodic access to microcomputers for assigned activities.

V. Course Outline

Class Periods

Part I

- I. Introduction to the U.S. Market System 5
 - A. Economics as a Social Science
 - 1. Social: People in Groups
 - a. History of industrialization
 - b. Adam Smith: The Wealth of Nations
 - 2. Science: Logical Analysis

- a. Organized study
 - b. Induction
 - c. Deduction
- B. Problems in studying the market system
 - 1. Using models
 - 2. Bias
 - 3. Fallacy of composition
 - 4. Correlation v. causation
- C. The Economic Problem
 - 1. Scarce resources
 - a. Land
 - b. Labor
 - c. Capital
 - d. Entrepreneurship
 - 2. Unlimited wants
 - 3. Making choices
 - 4. Opportunity cost
- D. An economic model: Production possibilities
 - 1. Assumptions
 - 2. Results
 - a. Choices
 - b. Law of increasing costs
 - c. Unemployment
 - d. Inefficiency
- E. Classifying Economic Systems
 - 1. Questions for an economic system

- a. What is to be produced?
- b. How will it be produced?
- c. Who will receive it?

2. Economic systems

- a. Capitalism
 - i. Pure market
 - ii. Mixed market
- b. Socialism
 - i. Pure
 - ii. Mixed
- c. Traditional

3. Political systems

- a. Autocracy
- b. Democracy

II. A model of the pure market system

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A. Demand

- 1. Definition: law of demand
- 2. Determinants of demand
- 3. Demand changes

B. Supply

- 1. Definition: law of supply
- 2. Determinants of supply
- 3. Supply changes

C. Equilibrium in a market system

- 1. Determining price and quantity
- 2. Equilibrium
 - a. Definition

- b. Usefulness
 - 3. Changes in equilibrium
 - 4. Using price for rationing
- III. Analyzing changes in depth: elasticity 3
 - A. Elasticity of demand
 - 1. Types
 - 2. Products
 - 3. Elasticity and decision making
 - B. Elasticity of supply
 - C. Income elasticity
- IV. Applying the market model: decisions and issues 2
 - A. Crime
 - 1. Cost/benefit in human decisions
 - 2. Death penalty: ethics beyond economics
 - B. Excise taxes: Who pays?
 - C. Market intervention
 - 1. Price ceilings
 - a. Rent control
 - b. Black markets
 - 2. Price floors
 - 3. Minimum wage
 - D. Health care
 - 1. Demand
 - 2. Supply
 - 3. Ethics
 - E. Other current issues

- V. Behind demand: the consumer in the market system 2
 - A. Diminishing marginal utility
 - B. Maximizing behavior
 - C. Law of demand
 - D. Water-diamonds paradox

Part 2

- I. Behind supply: the firm in the market system 2
 - A. Types of firms
 - B. Studying the firm
 - 1. Economic costs
 - 2. Economic profits
 - 3. Time
 - C. Production
 - 1. Law of diminishing returns
 - 2. Costs
 - 3. Long run changes
 - 4. The goal of the firm in the market system
 - a. Maximizing profits
 - b. Satisficing
 - c. Growth for the sake of growth
 - d. Managers v. stockholders
- II. Levels of competition: market imperfections 10
 - A. Perfect competition
 - 1. Characteristics
 - 2. Decisions
 - 3. Long run adjustments
 - 4. Evaluation: consumer welfare

- B. Monopoly
 - 1. Characteristics
 - 2. Decisions
 - 3. Long run adjustments
 - 4. Price discrimination
 - 5. Evaluation: consumer welfare
- C. Monopolistic competition
 - 1. Characteristics
 - 2. Decisions
 - 3. Long run adjustments
 - 4. Advertising: good or bad?
 - 5. Evaluation: consumer welfare
- D. Oligopoly
 - 1. Characteristics
 - 2. Decisions
 - 3. Cartels: a special case
 - 4. Evaluation: consumer welfare

III. Competition in the mixed market system

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- A. Industry studies
 - 1. Structure: Describing an industry
 - 2. Conduct: Strategy of firms
 - 3. Performance: Consumer welfare
- B. Concentration: Is big business too big?

1. Trends
 2. Administered prices
 3. Profits and business size
- C. Monopoly
1. Intent of public regulation
 2. Regulation in practice
- D. Controlling market power
1. History
 - a. Industrialization
 - b. Mergers
 - c. Public opinion
 2. Antitrust laws
 3. What is illegal?
 4. What should be illegal?
 5. Alternatives to antitrust

Part 3

- I. Resources in the pure market system 5
- A. The firm as a buyer
 - B. Determining resource prices
 - C. Resource demand
 - D. Determinants of income
 1. History: England during industrialization
 2. Income shares today
 - E. Resource supply
 1. Land
 - a. Henry George: Progress and Poverty
 - b. Economic rent: sports superstars

- 2. Capital
- 3. Entrepreneurship
- 4. Wage differentials
 - a. Equalizing differences: psychic income
 - b. Immobility
 - c. Discrimination in the labor force

II. The American labor movement 2

- A. Goals of the labor movement
- B. Types of unions
- C. Do unions raise wages?
- D. History
 - 1. The early years: discouragement
 - 2. The middle years: success
 - 3. Neutrality?
 - 4. The future

III. Failures of the market system 2

- A. Natural monopoly
- B. Externalities
 - 1. Pollution
 - 2. Public education
- C. Public goods
 - 1. Politics
 - 2. Government budgets
- D. Income distribution
 - 1. Equity or equality?
 - 2. The luck of the draw

3. Poverty
 - a. Relative
 - b. Absolute
4. Poverty programs
5. The negative income tax
6. Alternatives to poverty

IV. Other Topics: Topic to be chosen by instructor with student input. The following topics are examples.

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A. Radical economics: Reaction to the market system

1. Marx: Das Capital
 - a. Philosophic background
 - i. Hegel
 - ii. Materialism
 - b. Industrialization
 - i. Labor theory of value
 - ii. Exploitation of labor
 - iii. Shrinking profits
 - iv. Imperialism
2. International economics
 - a. Basis for international trade
 - i. Absolute advantage
 - ii. Comparative advantage
 - iii. Impact on prices, income, output
 - b. Restrictions on international trade
 - i. Tariffs
 - ii. Import quota
 - iii. Impact on prices, income, output

- c. International finance
 - i. Balance of trade
 - ii. Balance of payments
 - iii. Currency exchange rates
 - iv. Impact on prices, income, output

V. Textbook(s) and/or Other Required Materials or Equipment

Principles of Microeconomics, Bernanke, Frank, 10th edition, McGraw-Hill, 2009.

VI. Basis of Student Evaluation

A minimum of three exams, including the regularly scheduled final, will be given during the semester. Exams may include a mix of objective, essay, problem, and short answer questions.

Beyond potential essay and short answer examination questions, the student will be evaluated on several writing exercises which require him to analyze a market, product, industry, or company using the tools that are introduced in class. This essay project may take one of two forms. It may be tool specific. In this case, the student will write several essays throughout the semester where a recently learned tool is applied to a situation. Or, it may be situation specific. In this case, the student will develop an essay over the length of the semester on a topic where relevant tools learned in class are applied. In developing the final essay, the student may be required to submit developmental essays or initial drafts.

VIII. Justification for Inclusion in University Studies (General Education) Program

Objective 1: Demonstrate the ability to locate and gather information

Emphasis: Significant

Content: In order to complete the assigned project, students will be required to investigate a variety of sources of data and information.

Teaching Strategies: At the beginning of the semester, the instructor will distribute a list of sources of microeconomic data and information available in Kent Library. The list will contain, but not be limited to, the following:

Periodicals, including *Wall Street Journal*, *Fortune*, *Forbes*, *Advertising Age*, *Business Week*

Indices, including *Wall Street Journal Index*, *Reader's Guide to Periodical Literature*, *New York Times Index*, and *Index of Economic Literature*.

Government documents, including *Economic Report of the President*, *Federal Trade Commission* reports, and *Survey of Current Business*.

Others, including annual reports of corporations.

Student Assignments: See description of the project under student evaluation.

Evaluation of Student Performance: See description of the project under student evaluation.

Objective 2: Demonstrate capabilities for critical thinking, reasoning and analyzing

Emphasis: Significant

Content: This course relies heavily on using economics to analyze problems and issues. As such, it develops critical thinking skills as defined by Debbie Walsh and Richard Paul: "Interpreting, analyzing or evaluating information, arguments or experiences (in this course, economic decisions, policies, issues) with a set of reflective attitudes, skills and abilities (in this course, economic concepts and models) to guide our thoughts, beliefs and actions."

Teaching Strategies: The instructor will demonstrate critical thinking and analysis in lectures, classroom examples, and student discussions. The instructor will use economic concepts to help students analyze historical events and to predict future consequences of economic policies. The last stage of the project will require critical thinking skills in analyzing, synthesizing information and reaching conclusions.

Student Assignments: Assignments which require critical thinking, reasoning, and analyzing skills will include: homework assignments, writing assignments, and the project.

Evaluation of Student Performance: Students will be graded on the assignments mentioned above. Examinations will also contain questions which measure the students' analytical skills.

Objective 3: Demonstrate Effective communication Skills

Emphasis: Considerable

Content: Students will be required to demonstrate written communication skills in class discussions, written assignments and examinations.

Teaching Strategies: The instructor will clearly state the rules and expectations concerning the written work. Feedback on written assignments will be given to the students in writing by the instructor.

Student Assignments: Students will be expected to participate in class discussions and to complete written assignments including the project using correct grammar, spelling, etc.

Evaluation of Student Performance: The evaluation of written work will be based not only on content but on the quality of the students' communication skills.

Objective 4: Demonstrate an understanding of human experiences and the ability to relate them to the present.

Emphasis: Considerable

Content: The study of microeconomics often requires historical analysis. Students will discover the timelessness of economic analysis with market history repeating itself time and time again. The instructor will illustrate how economic models explain historical events and predict the future consequences of alternative economic policies.

Student Assignments: Complete reading assignments and be prepared to apply past market events to

potential future market events both in class discussion and essay projects.

Teaching Strategies: The primary teaching strategies will be lecture, question/answer and discussion. The instructor will introduce concepts through lectures and their historical context may be introduced via question/answer and discussions.

Student Assignments: Complete reading assignments in text and be prepared for questions and discussions.

Evaluation of Student Performance: Primary method will be questions on examinations. Students' participation in class discussions and question/answer sessions will also be evaluated.

Objective 5: Develop an understanding of various cultures and their interrelationship

Emphasis: Some

Context: This objective will be addressed in the first part of the course when different types of economic systems are discussed. How different types of economies answer the basic economic questions will illustrate the similarities and differences between different cultures and their values.

Teaching Strategies: Primary methods will be lecture, question/answer and discussion, based on reading assignments in text.

Student Assignments: Reading assigned material in text, asking questions and answering questions posed by the instructor and participating in class discussions.

Evaluation of Student Performance: Students will be tested on material related to this objective. Their participation in class discussions and question/answer sessions will also be evaluated.

Objective 6: Demonstrate the ability to integrate the breadth and diversity of knowledge and experience

Emphasis: Significant

Content: The relationships among politics, social systems and economics will be made clear when students discover that microeconomic policy decisions are related to political and social factors. Policies regarding antitrust legislation, income redistribution, government regulation, and labor unions are affected by political factors and these policies have a direct impact on the social system.

Teaching Strategies: The economic theory or policy may be introduced by the instructor in a lecture. The historical, political and/or societal connections may be brought out by questions posed by the instructor. This is likely to lead to some discussion of the issue. For example, after an analysis of income distribution in the United States, the instructor might ask, "How does the government affect income distribution in the U.S.? Why do we allow the government to alter the income distribution?" Some role-playing will also be useful in attaining this objective. The instructor might have the students become members of congress and lobbyists to discuss policy issues and discover how political factors affect policy decisions.

Student Assignments: Complete reading assignments in text and be prepared to answer questions and participate in discussions. The students may be asked to write a short in-class analysis of the historical, political and/or social factors related to a current economic policy decision.

Evaluation of Student Performance: Participation in class discussions and role playing sessions and the quality of written assignments will be evaluated.

Objective 7: Demonstrate the ability to make informed, intelligent value decisions

Emphasis: Significant

Content: If it is assumed that valuing is used in all individual and social activities in which choices are made, then valuing is an important component of microeconomics. Microeconomics deals with the choices consumers and business make when faced with the problem of scarce resources and how government policy affects the actions of individuals. After completing this course, students will understand how the values of individuals affect their economic decisions and how the values of society may affect individual action.

Teaching Strategies: The instructor will help the students discover the values (explicit and/or implicit) of the text book author or the author of an economic article or essay. Through this process students will be encouraged to begin to identify the basis for their own values. In class discussions students will be encouraged to clarify values and issues. Students can be given a "test" on some microeconomic topic(s) that involve valuing. Then, the instructor presents data and facts and attempts to determine if this information affects the values of the students. This leads to a discussion of values based on correct information. It can also lead to a discussion of different sources of information, why information differs and how to select reliable sources of information (this is directly related to Objective 1).

Student Assignments: Students will be asked to take a position on a particular microeconomic issue (e.g., government regulation, the effects of the welfare system on individuals) and defend it, making their values explicit. This may be done orally or in writing, and students will be required to support their value decisions by facts and research whenever possible.

Evaluation of Student Performance: The students' communication skills, as well as the strength of their arguments supported by facts and research, will be evaluated and will be a factor in determining grades.

Objective 8: Develop the ability to make informed, sensitive aesthetic responses

Emphasis: Considerable

Content: Students in this course will spend a considerable amount of time developing and using economic models (e.g., supply and demand, perfect competition, monopoly, oligopoly) to analyze problems and issues. Students will learn to appreciate the usefulness of models, not only in economics but in other disciplines as well. They will learn how to identify a "beautiful" model by recognizing its internal consistency as well as its ability to accurately represent the real world.

Teaching Strategies: Lecture and question/answer sessions will be the most commonly used strategies since the concept of models will be relatively new to students. It is important for the teacher to relate economic models to models that the student has encountered (e.g., model cars, models in their high school physics class, house plans they may have seen in their shop class, a dress pattern they may have seen in their home economic class). It is also important for the instructor to outline how models can become more complex as the user develops skills and knowledge.

Student Assignments: Reading assignments in text.

Evaluation of Student Performance: Examination questions will test the students' knowledge of economic models. The student will be asked to apply models to new information. They may also be asked to evaluate the usefulness of particular models in explaining economic phenomenon.

Objective 9: Demonstrate the ability to function responsibly in one's natural, social and political environment

Emphasis: Significant

Content: The study of economics helps one to make more rational personal decisions. A knowledge of economic theories, problems and policies is necessary in order to function as a responsible citizen and voter. For example, antitrust, government regulatory policies, and issues of income redistribution are frequent news items in the U.S. and they are issues upon which individuals may base political (i.e., voting) decisions. Students need to be able to analyze economic issues of nationwide concern in a rational manner using economic concepts, theories, models and a knowledge of economic systems.

Teaching Strategies: The introduction of new economic concepts, models and theories will be done via lecture. The students will then be expected to answer questions and participate in class discussions in order to utilize the information, which has been presented.

Student Assignments: Read assigned material, participate in class discussion, ask and answer questions.

Evaluation of Student Performance: Examinations will be administered as an evaluation of students' knowledge of the concepts, models and theories. Their participation in class discussions will also be evaluated as to evidence of social, political, and natural responsibility.