

Economic Theory: Microeconomics

Fall 2013

Course Information

Code: Econ 211 01

Location: Mayer Morgan Lecture Hall

Time: Mondays, Wednesdays, Fridays from 8:45 a.m. to 9:50 a.m.

Prerequisites: Econ 199 and sophomore standing

Instructor Information

Name: Marta Podemska-Mikluch, PhD

Office: Campbell Hall 103

Office Phone: (608) 363-2722

Email: podemskam@beloit.edu (preferred)

Office Hours: Wednesdays 1pm – 3pm and by appointment

Course Description and Objectives

Microeconomics, also known as price theory, is the study of how households and firms allocate scarce resources to competing ends. The focus of the course is the fundamental role of relative prices in the decision-making of consumers, the operation of firms, the structure of markets, and the choices of resource suppliers and employers. Students will learn to use economic models and optimization techniques to address a variety of decision-making processes, including consumer utility optimization and producer profit maximization in the context of competitive markets, monopoly, oligopoly, and monopolistic competition. In order to better appreciate the versatility of price theory, students will be exposed to a variety of applications, e.g., airline regulation, taxicab licensing, racial and gender discrimination, subprime mortgage crisis, impact of liability caps on Gulf oil disaster, etc. By the end of the semester students will be expected to have mastered the basic tenets of microeconomic theory and to be able to apply them correctly to empirical problems.

Required Textbooks

Introduction to Mathematical Economics by Edward Dowling

Microeconomics: Theory & Applications by Edgar K. Browning and Mark A. Zupan

Suggested Textbooks

The Applied Theory of Price by Deirdre N. McCloskey

Available for zero price on-line: <http://www.deirdremccloskey.com/docs/price.pdf>

Price Theory: An Intermediate Text by David D. Friedman

Also on-line: http://www.daviddfriedman.com/Academic/Price_Theory/PThy_ToC.html

Other Useful Supplies

Binder	Quad Paper Notebook
Hole puncher	Ruler
Colorful Line Markers	Basic Calculator

Grading Policy

Your final grade will be based on your performance in five categories:

1. Class Participation	10 points	
2. Math Quiz	10 points	
3. Tests	4 x 15	10 points
4. On-line Quizzes	10 points	
5. Book Review	10 points	

100 points

There is no pre-set grade distribution for this class. Note, however, that Section IX of the Beloit College Academic Policy Manual (APM) clearly discusses the definitions of specific grades. According to the APM:

Grade	is awarded for credit earned in a manner that demonstrates:
A	Unusual ability and distinctive achievement
B	Articulate, above-average performance
C	Satisfactory performance

I note this language for two reasons. First, I wish to highlight that a C is not a failing grade. It is, by definition, satisfactory performance and grades of C should be viewed in that light. Several of you might find yourselves in the C range. This grade merely reflects that while your work is satisfactory, there remains room for improvement. Second, it is important to note that A's are awarded for exceptional performance.

Grade scale:

		B+	87 - 89	C+	77 - 79	D+	67-69
A	94+	B	84 - 86	C	74-76	D	60-66
A-	90-93	B-	80 - 83	C-	70-73	F	0-59

Class Participation

Class participation is a vital element of the learning process and it yields greatest results if based on solid preparation. Thus, I expect you to study systematically and to remain engaged throughout each class. Your participation grades will be assigned based on a variety of activities: reading discussions, in-class writing assignment, group work, classroom games, board problem solving.

Keep in mind that not every class will provide opportunities for participation, some will constitute purely of lectures. However, if you miss a class in which participation was graded, there will be no make-up opportunities. Instead, I will drop your lowest participation score. The specific grading criteria are listed in the table below. Please note that three points is equivalent to getting full participation points, four points means you have obtained extra credit.

4	Equivalent to A+ (110 percent)	<ul style="list-style-type: none"> • Demonstrates excellent preparation: has analyzed material exceptionally well. • Contributes in a very significant way to ongoing discussion: keeps analysis focused, responds very thoughtfully to other students' comments, contributes to cooperative argument-building, suggests alternative ways of approaching material and helps class analyze which approaches are appropriate, etc.
3	Equivalent to A (100 percent)	<ul style="list-style-type: none"> • Demonstrates good preparation: knows reading facts well, has thought through the implications of them. • Offers interpretations and analysis of material to the class. • Contributes well to discussions in an ongoing way: responds to other students' points, thinks through own points, questions others in a constructive way, offers and supports suggestions.
2	Equivalent to B (85 percent)	<ul style="list-style-type: none"> • Demonstrates adequate preparation: knows basic reading facts, but does not show evidence of trying to interpret or analyze them. • Offers only straightforward information (e.g., straight from the case or reading), without elaboration or very infrequently (perhaps once a class).
1	Equivalent to C (75 percent)	<ul style="list-style-type: none"> • Present, not disruptive. • Tries to respond when called on but the offered answer is incomplete • Demonstrates very infrequent involvement in discussion
0	Equivalent to F (0 percent)	<ul style="list-style-type: none"> • Absent either physically or mentally

Math Quiz

The first two weeks of the semester will be devoted to mathematical review. Mastery of basic calculus is rudimentary to the understanding of price theory. I will provide you with a detailed review and practice opportunities but if you find yourself struggling with the material, I suggest dropping the course and taking it only after a longer mathematical preparation.

On-line Quizzes

Multiple-choice quizzes, corresponding to the chapters of the Browning and Zupan textbooks, are accessible on-line. Depending on the amount of material covered, each week you will be required to complete one or more quizzes. The quizzes are a form of a review. They are relatively straightforward, meant to keep you on schedule and help you study systematically. The quizzes are set in an adaptive mode: you will be allowed multiple attempts at each question but there will be a small penalty for each incorrect response.

Each quiz is due on Sunday evening, specifically at 11:55 pm.

The first of the quizzes will be due on Sunday, September 22nd and then each Sunday afterwards unless specified otherwise.

It is easy to forget about the quizzes, so remember to set-up multiple reminders. I am unable to extend the quiz deadline for individual students so please note that there will be no make-up quizzes. Nevertheless, I will drop your lowest score. So if you missed one of the quizzes, you do not need to email me asking what to do. I will just consider the missed quiz to be your lowest score and I will ignore it in calculating your final grade.

Tests

There will be four tests, each worth fifteen points towards your final grade. Each test will contain a combination of mathematical problems and short essay questions. Before each test, I will provide you with a study guide containing a set of practice problems. If you master the study guide problems, you will have no problem solving the problems on the test.

Dates of each test are listed in the schedule of class events. If you find yourself in need of rescheduling, keep in mind the following constraints:

- Should you have a time conflict, you need to speak with me at least a week ahead of time so that we can arrange an alternative time for you to take the test.
- Should you be unable to attend the test due to sickness, you need to send me an email at least two hours before the test in which you provide an alternative time at which you would like to take the exam.
- Should you miss the test without notifying me ahead of time, there will be no make-up opportunities and you will receive a score of zero.

You will be allowed an entire class period to complete each test. You can bring an abacus, slide-rule, or a basic calculator but no graphing calculators are allowed. Cell phones, tablets,

and other electronic devices cannot be used in lieu of a calculator.

Book Review

To see how economics can be used and misused, you will be required to read one of the following books and write an approximately 1000-word summary and critique. You will first submit a draft version of your review to which I will respond with comments that should put you on the right track for your final version. It is essential that you demonstrate your mastery of the economic way of thinking in the review. Your grade will be determined by your ability to analyze the material from the economic perspective as well as by the quality of your writing, including spelling, grammar, and style. Late submissions will be penalized by a twenty percent grade decrease for each day of lateness. I expect all students to strictly follow the academic honesty policy, which can be consulted online. Every case of academic dishonesty will result in a score of zero points and will be reported to dean of students.

1. Allison, John A. 2013. *The Financial Crisis and the Free Market Cure: Why Pure Capitalism Is the World Economy's Only Hope*. New York: McGraw-Hill.
2. Cowen, Tyler. 2013. *Average Is Over: Powering America Beyond the Age of the Great Stagnation*. Dutton Adult.
3. Coyne, Christopher J. 2013. *Doing Bad by Doing Good: Why Humanitarian Action Fails*. Stanford Economics and Finance.
4. Lopez, Edward, and Wayne Leighton. 2012. *Madmen, Intellectuals, and Academic Scribblers: The Economic Engine of Political Change*. Stanford Economics and Finance.
5. Mayer-Schönberger, Viktor, and Kenneth Cukier. 2013. *Big Data: a Revolution That Will Transform How We Live, Work, and Think*. Boston: Houghton Mifflin Harcourt.
6. Vargas Llosa, Alvaro. 2013. *Global Crossings: Immigration, Civilization, and America*. Oakland, California: The Independent Institute.
7. White, Lawrence H. 2012. *The Clash of Economic Ideas: Policy Debates and Experiments of the Last Hundred Years*. Cambridge: Cambridge Univ. Pr.
8. Zingales, Luigi. 2012. *A Capitalism for the People: Recapturing the Lost Genius of American Prosperity*. New York: Basic Books.

Scheduled Lectures and Events

Week	Date	Topic	Readings ¹
	08/26	Introduction	-
1	08/28	Mathematical Review	Dowling ch.1
	08/30	Economic Applications of Graphs and Equations	Dowling ch.2
	09/02	The Derivative and the Rules of Differentiation	Dowling ch.3
2	09/04	Uses of the Derivative in Economics	Dowling ch.4
	09/06	Uses of the Derivative in Economics continued	Dowling ch.4
	09/09	Calculus of Multivariable Functions	Dowling ch.5
3	09/11	Calculus of Multivariable Functions continued	Dowling ch.5
	09/13	Calculus of Multivariable Functions in Economics	Dowling ch.6
	09/16	Math Quiz	-
4	09/18	An Introduction to Microeconomics	Browning ch.1
	09/20	Supply and Demand	Browning ch.2
	09/23	Elasticity	Browning ch.2
5	09/25	The Theory of Consumer Choice	Browning ch.3
	09/27	The Theory of Consumer Choice continued	Browning ch.3
	09/30	Individual and Market Demand	Browning ch.4
6	10/02	Using Consumer Choice Theory	Browning ch.5
	10/04	Using Consumer Choice Theory continued	Browning ch.5
	10/07	Test 1	-
7	10/09	Exchange, Efficiency, and Prices	Browning ch.6
	10/11	Exchange, Efficiency, and Prices continued	Browning ch.6
	10/14	<i>No Class: Midterm Break</i>	
8	10/16	<i>No Class: Midterm Break</i>	
	10/18	<i>No Class: Midterm Break</i>	
9	10/21	Production	Submit Book Review Draft Browning ch.7

	10/23	The Cost of Production		Browning ch.8
	10/25	The Cost of Production continued		Browning ch.8
	10/28	Competitive Model		Browning ch.9
10	10/30	Competitive Model in Use		Browning ch.10
	11/01	Competitive Model in Use continued		Browning ch.10
	11/04	Test 2		
11	11/06	Monopoly		Browning ch.11
	11/08	Product Pricing with Monopoly Power		Browning ch.12
	11/11	Monopolistic Competition and Oligopoly		Browning ch.13
12	11/13	Using Noncompetitive Market Models		Browning ch.15
	11/15	Using Noncompetitive Market Models continued		Browning ch.15
	11/18	Test 3		-
13	11/20	<i>No Class: International Symposium</i>		-
	11/22	Employment and Pricing of Inputs		Browning ch.16
	11/25	<i>No Class: Conference Travel</i>		-
14	11/27	Video Discussion	Submit Book Review	-
	11/29	<i>No Class: Thanksgiving Break</i>		-
	12/02	Wages, Rent, Interest, and Profit		Browning ch. 17
15	12/04	Input Market Analysis		Browning ch. 18
	12/06	General Equilibrium Analysis		Browning ch. 19
	12/09	Public Goods and Externalities		Browning ch. 20
16	12/11	Market Failure vs. Government Failure		Moodle
	12/14	Test 4 (Saturday, 9 am)		

Disability Statement

If you have a disability and need accommodations, contact the Learning Enrichment and Disability Services Office located on 2nd floor Pearsons (north side) or call x: 2572 or email learning@beloit.edu. For accommodations in my class, you must bring me an Accommodation Verification Letter from the Director of that office and then we will discuss how to meet your needs. Contact that office promptly; accommodations are not retroactive.

Tutoring

Free peer tutoring is available for most classes. For a tutor, apply at the Learning Enrichment and Disability Services Office located on 2nd floor Pearsons (north side) during their office hours (8 a.m. - 4:30 p.m., Monday - Friday).

Teaching Assistant

Wenxin Xu and Harley Liu are going to be teaching assistant for this course. Each of them will be available twice a week to answer your questions.

Wenxin will be available on Tuesdays and Thursdays from 4 p.m. to 6 p.m. at the library.

Harley will be available on Mondays and Wednesdays 7 p.m. to 9 p.m. in the Kemper Lab.