

ECONOMICS 101 — PRINCIPLES OF MICROECONOMICS — FALL 2017

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| Time: | TTh, 9:30–10:50 a.m. | Professor: | Herman C. Quirmbach |
| Room: | Coover 2245 | Office: | 81 Heady |
| Web site: | quirmbach.econ.iastate.edu/econ101 | E-mail: | hcqbach@gmail.com |
| Office Hrs: | Make an appointment by email or at class* | Phone: | 294–6221 |

*Best times for office-hour appointments are TTh, 11:30–1:00 p.m. Other times available by request.

Course Description:

“Micro” economics begins with “the small”: the problems of consumer choice by individual households and production by individual firms. Combining these concepts leads to the analysis of supply and demand in individual markets. Then, we evaluate the performance of an economy in which all markets are perfectly competitive. Using perfect competition as a benchmark, we address the problems caused by the existence of market power, environmental pollution, and the provision of public goods. We extend our analysis to the problem of insurance and the opportunities provided by international trade.

Central themes include the necessity of allocating scarce resources among alternative uses, the role of prices in guiding this allocation process in a decentralized way, the opportunity provided by markets for mutually beneficial exchanges, and the cases both for and against government intervention in markets.

Textbook Purchase (required):

Hall & Lieberman, *Microeconomics: Principles & Applications*, 6th edition, South-Western.

Teaching Assistants, Offices, and the Economics Help Room:

The teaching assistants for the course are as follows.

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| Raj Chandra | Philip Herr | Md Javed Hossain | Sriramjee Singh | James Whitmore |
| 178A Heady Hall | 468A Heady Hall | 82 Heady Hall | 169 Heady Hall | 560C Heady Hall |
| rchandra@iastate.edu | prherr@iastate.edu | hossain@iastate.edu | ssingh17@iastate.edu | jwhit@iastate.edu |

The Economics Department provides an Economics Help Room in Heady 178. Its phone is 294–1599. Beginning the second week of class, this room will be staffed by special Help Room TAs. The schedule is from 9:00 a.m. to 6:00 p.m. on Mondays through Fridays. Unless otherwise announced, the TAs for this class will also hold their normal office hours in the Help Room. Schedules for office-hour times will be announced shortly on the course web site.

Problem Sets, Exams, Quizzes, and Grading:

- 1 final exam (40%)
- 2 midterm exams (20% each)
- 3 problem formal sets and weekly problem assignments (together, 15%)
- average of several in-class quizzes (5%)

The **MINIMUM** for passing this course will be an overall weighted point total of 50%, where the weights used achieve the indicated percentages for the grading items listed.

The final exam is cumulative. The final for this section will be Tuesday, December 12, from 9:45 to 11:45 a.m. The first midterm will likely be during the week of October 2–6; the second possibly in the week of November 6–10. Exact dates will depend on our speed of progress through the material. The second midterm is not cumulative: it covers only material not covered by the first midterm. Midterms are held at the regular class time, and all exams are held in the regular classroom.

Three formal problem sets will be given during the semester, one on the material leading to the first midterm, one for the second midterm, and the last one on the material covered after the second midterm. The due date for the final problem set will probably be the last lecture of Dead Week.

Weekly written problem assignments, usually taken from Problem Set sections at the ends of the textbook chapters, will also be required every week, including Dead Week. These assignments will be due at each Thursday lecture, beginning the second week. Each weekly assignment missed will cost you roughly the equivalent of 4 points off your final exam score. (However, see the section below on Friday Group Office Hours Discussions for an alternative way to satisfy this requirement.)

At various times during the semester, in-class quizzes will be given, usually without advance notice. Any material in recent reading assignments or lectures is fair game. A quiz will be given during Dead Week.

Calculators, cell phones, and other electronic devices are NOT allowed for exams and quizzes.

Class and Exam Attendance, Expected Effort, and Disability Accommodations:

Lecture attendance is required. All students will be responsible for all material covered in lecture and for all announcements and assignments made or given out in lecture. The ISU Catalog states, “[U]ndergraduate students typically will be expected to spend two hours in preparation outside of class for each lecture or recitation hour.”

For exams, an excused absence may be granted for a medical or family emergency or for military service or for an officially mandated court appearance, but only with verifiable documentation in each case. If, at the instructor’s sole discretion, the physically and/or psychologically disruptive nature of such an absence prevents the student from performing up to his or her ability, the course grade will be determined by weighing more heavily other factors that test the same subject matter.¹

Except as provided in Section 10.4.3.1 of the ISU Faculty Handbook, athletic or other extracurricular activities will not be grounds for granting excused absences. For a case falling under 10.4.3.1, a written request must be submitted to the professor at least ten days prior to the exam. The request must have attached a statement personally written by the university official in overall charge of the activity fully substantiating the basis for the request per the provisions of 10.4.3.1. If the request is granted, then pursuant to Section 10.4.3 and prior to the date of absence, the student will be required to submit a take-home exam in an alternative format, which will be graded to the same academic standards as for the other members of the class.

Any unexcused exam absence will result in a grade of zero!

The policy on excusing late problem sets will be the same as for absences from exams.

For quizzes, the first two absences will be deemed to be excused without documentation. A student who misses more than two quizzes will have to document the reason for a third or subsequent absence and will be granted an excused absence along the same lines as for an exam absence. An unexcused absence will again result in a zero for that quiz. The quiz score for the course will be based on the average score of all quizzes taken or unexcused. However, the quiz grades of students who take all the quizzes or miss only one will not be penalized for their superior attendance: students who take all the quizzes will be allowed to drop their two lowest scores; students who miss only one may drop the one lowest quiz taken.

If you have a documented disability and anticipate needing accommodations in this course, please request that the Student Disability Resources Office send an Accommodation Notification Letter verifying your disability and specifying the accommodations you will need.

Friday Group Office Hours Discussions:

To provide more opportunity for discussion and personal feedback, each Friday each TA will lead “group office hour” sessions. Each student will be assigned to a specific TA and time. Sessions will last 50 minutes each and will be scheduled throughout the day. Group assignments, times, and places will be announced shortly.

The sessions will usually go over the weekly problem assignments described above. If you attend, evidence significant preparation, and participate actively in your group on a given Friday, that will substitute for turning in a written assignment for that week. Attendance, while not officially required, is recommended in the strongest possible terms, even if you also submit your weekly assignment in writing. Attendance records will be kept.

Add and Drop Slips:

The first week, all adds and drops are done through the Registrar’s Office. No signature is required for drops, nor for adds up to the established enrollment limit. No students will be enrolled in excess of the limit. After the first week and until the drop deadline, drop slips will require a signature. All the TAs may sign drop slips. Drop slips may also be signed by Carol Elliott (Heady 174). Add slips, however, may only be signed by the professor.

Academic Integrity:

Students are expected to know and follow the academic integrity policy in the *Iowa State University Catalog*. See http://catalog.iastate.edu/academic_conduct/#academicdishonestytext. The *minimum* penalty for any violation will be failure of the course. All violations will also be referred to the Dean of Students for further investigation.

All lectures, handouts, problem sets, tests, and other course materials are the intellectual property of the professor and are copyrighted to him. A student who is officially registered for this course (including audit) may take down a set of lecture notes for his or her personal use in completing the requirements of the course. However, no student or other person may sell lecture notes, audio or visual recordings of lectures, or any other course materials to any note-taking service or other person or entity, nor may any person trade, barter, exchange, or otherwise transfer such notes, recordings, or materials for compensation of any kind. Any violations of these restrictions will be treated both as an academic integrity violation and as a violation of applicable federal and/or state statutes, and such violations will be pursued to the maximum extent allowed under the ISU Student Disciplinary Regulations (<http://www.policy.iastate.edu/policy/SDR#a4222>) and applicable criminal and civil law.

¹Students who receive an excused absence may still have the learning experience of taking the exam at a later date but for practice purposes only.

SYLLABUS

I. Introduction

- A. Economics: What, How, and for Whom?
- B. Production Possibility Frontier
- C. Opportunity Cost
- D. Positive vs. Normative
- E. Micro vs. Macro

Read: Chs. 1, 2 (All reading assignments are from the Hall & Lieberman text except as noted.)

Also read: Richard Feynman's "The Relation of Science and Religion," *Engineering and Science*, Volume 19:9, June 1956, pp 20–23. It is available on the web at <http://calteches.library.caltech.edu/49/2/Religion.htm>. The .pdf version is at <http://calteches.library.caltech.edu/49/2/Religion.pdf>.

II. Supply and Demand in One Market

- A. Price and Consumer Demand
- B. Price and Business Output
- C. Equilibrium in the Market
- D. Shifts in Demand and Supply

Read: Chs. 3, 4, and pp. 378–382 in Chap. 12

III. Demand and Consumer Choice

- A. Price Change and Demand Elasticity
- B. Substitutes and Complements
- C. Income and Demand
- D. Consumer Preferences and Utility
- E. The Budget Constraint
- F. Choosing Between Goods: Decision Making at the Margin
- G. Income and Substitution Effects
- H. Individual and Market Demand Curves
- I. Consumer Surplus

Read: Chs. 5, 6 (with Appendix), and pp. 437–9 in Ch. 14

** FIRST MIDTERM EXAMINATION **

IV. Production and Costs

- A. Business Goals: Profit Maximization?
- B. Accounting Costs and Opportunity Costs
- C. Inputs, Outputs, and the Production Function
- D. Minimizing Input Costs
- E. Average Cost, Marginal Cost, and Returns to Scale
- F. Short Run vs. Long Run

Read: Ch. 7 (with Appendix), and pp.221–4 in Ch. 8

V. Perfect Competition

- A. Competitive Output Supply: Short-Run
- B. Competitive Output Supply: Long-Run
- C. Supply and Demand for Labor
- D. Supply and Demand for Capital
- E. Welfare Analysis of Perfect Competition

Read: Chs. 8, 9, 12, 13, 14

** SECOND MIDTERM EXAMINATION **

VI. Market Failures I: Monopoly

- A. Sources of Monopoly
- B. Monopoly Price and Output
- C. Monopoly vs. Competition

Read: Ch. 10

VII. Market Failures II: Oligopoly

- A. Oligopoly Behavior: Collusion vs. Rivalry
- B. Conditions Favoring or Discouraging Collusion
- C. Entry and Entry Deterrence
- D. Monopolistic Competition

Read: Ch. 11 (with Appendix)

VIII. Market Failures III: Externalities, Public Goods, and Asymmetric Information

- A. Pollution and Environmental Protection
- B. Public Goods and Free Riders
- C. Adverse Selection, Moral Hazard, and the Insurance Market

Read: Ch. 15

IX. International Trade

- A. Comparative Advantage
- B. Trade Policy

Read: Ch. 16