

Principles of Microeconomics

Economics 10010/20010

University of Notre Dame

Fall 2006

Professor Abigail Wozniak

Assistant Professor, Department of Economics and Econometrics

Flanner Hall 441

a_wozniak@nd.edu

Course Description

Economics is a mathematically rigorous study of human behavior built upon a powerful but flexible set of principles. This course will introduce you to the subset of these principles concerned with the behavior of individual human beings and firms. You will also be exposed to some of the limitations of economic reasoning, as well as to solutions to those limitations that have come from within economics itself. The course is structured to help you achieve the objectives below.

Course Objectives

Civic objectives

- Understand what goes into a price: Apply concepts of supply and demand to simple economic questions and be able to explain the limitations of the simple S&D framework.
- Understand how changes in economic variables may or may not lead to significant changes in the status quo.
- Identify the roles of incentives and tradeoffs in human behavior.
- Give economic definitions of individual and social welfare.
- Define public goods and major problems in their provision.

Economics field objectives

- Identify and use foundational economic concepts: supply, demand, equilibrium, elasticity, utility, profit maximization, perfect competition, economies of scale, comparative and relative advantage, public goods, welfare, moral hazard, adverse selection, externalities.
- Solve problems in the context of simple economic models.

Collegiate skills objectives

- Experience being a self-motivated, organized and independent learner.
- Write a succinct persuasive analysis of an outside topic, applying course principles to your analysis.

Logistics

Meeting times: Tuesdays and Thursdays 12:30-1:45 in DeBartolo 217 or 3:30-4:45 in DeBartolo 320.

Course website: www.nd.edu/~awaggone links to the course website. Direct access through Vista. Lecture slides will be posted to the site at the end of each week's lectures.

Course text: *Principles of Economics*, 4th Edition by N. Gregory Mankiw

Office hours: Wednesdays 9-10:30 am in Flanner 441 and Thursdays 2:00 to 3:30 pm in Waddick's. Prior to exams, office hours may be replaced with review sessions.

Course Requirements

1. Two non-cumulative midterms (50 points each, scaled to be 25% of grade)
2. Final exam, cumulative (100 points, scaled to be 35% of grade)
3. Application of microeconomics essay, 2-3 pages double spaced. (30 points, scaled to be 15% of grade) Details on this to follow later in the course.

Practice problem sets with solutions will be distributed prior to both midterms and the final. These are to help you prepare yourself for the exams and will not be collected or graded.

Grading Method

You will not receive a definitive letter grade until the end of the course. Final letter grades are based on a curve of the point totals across both sections. You will receive feedback on exam score distributions after each midterm.

Attendance

Attendance is not part of your grade, nor do I keep attendance at lectures. Past students have certainly found attendance helpful and attendance is correlated with higher grades, but I will let you decide how best to obtain the tools you need to succeed in the course.

Honor Code

I take the Honor Code very seriously. I monitor exams personally and make efforts to deter cheating. I also encourage frank discussions about what does and does not constitute cheating. If you are wondering whether a certain practice would be considered cheating, please ask me.

Common Sense Advice

Consider forming a study group.

Ask questions.

Take *and* review your notes.

Do the reading.

Expect to be confused but know when you are lost.

Retain the ability to change your mind.

Lecture Schedule

Note that (M #) indicates Mankiw text, Chapter # is assigned reading for the date's lecture.

** Indicates a date outside regular class meeting times.

- 22 Aug. Course Introduction (M 2)
Overview of course and policies, examples of economics in action, and Q & A .
- 24 Aug. Making Assumptions (M 1)
Intro to economic models, producers and consumers. Ten (or more) principles of economics.

The Demand Side of a Market: Consumer Theory

- 29 Aug. Budget sets and utility functions (M 21)
- 31 Aug. Consumer optimization (M 21)
- 5 Sept. Price and income changes, income and substitution effects, deriving the D curve (M 21)
- 7 Sep. Applications of Consumer Choice

The Supply Side of a Market: Firm Theory

- 12 Sep. What do firms do? (M 13)
Costs and profit maximization. Short run, long run, economies of scale.
- 14 Sep. No class: Attend Notre Dame Forum.
- 19 Sep. The Origins of Supply (M 14)
Firm supply, firm entry and exit, and aggregate supply.
- 21 Sep. What have we learned so far?
Recap, examples, and discussion.
- 26 Sep. Midterm #1
- 28 Sep. Monopoly, or the Company Town (M 15)
- 3 Oct. Oligopoly and a Taste of Game Theory (M 16)
Handout on essay.
- 5 Oct. A Realistic Hybrid: Monopolistic Competition (M 17)
- 10 Oct. Firms as Consumers: Land, Labor and Capital (M 18)
Production functions revisited: Isoquants, marginal rate of technical substitution.
- 12 Oct. No class. 14 Oct. – 22 Oct. No class. Fall break.

The Market: A Balance of Supply and Demand

- 24 Oct. Price = Equilibrium of Demand and Supply (M 4)
- 26 Oct. Elasticity: The Shape of Demand and Supply Curves (M 5)
- 31 Oct. Market Efficiency and Welfare (M 7)
Consumer and producer surplus.
- 2 Nov. What have we learned so far?
Recap, examples, and discussion.
- 7 Nov. Midterm #2
- 9 Nov. Why trade in a market? (M 3 and 9)
Comparative and absolute advantage, specialization, gains from trade.
In-class discussion of essay topics.
- 14 Nov. Taxes I & II: Effects on Prices (M 6) and Welfare (M 8)
- 16 Nov. Public Goods and Tax Inefficiencies (M 11; M 12 optional)
Market failure, the tragedy of the commons, distortionary and non-distortionary taxes.
- ** 17 Nov. **Essay Topic Deadline:** 1) A hard copy of your reference article must be submitted.
2) A description of your chosen policy/event/trend and which of the three class concept areas it relates to must be emailed to Prof. Wozniak. Both by noon today.
- 21 Nov. Externalities, Moral Hazard, and Adverse Selection (M 10)
- 23 Nov. Thanksgiving, no class.
- 28 Nov. When we don't like the outcome (M 19 and 20)
Human capital, determinants of earnings, discrimination, income inequality. Communism, Socialism, Regulation and Other Attempted Solutions.
- 30 Nov. So you still think this is all too simplistic? Extensions (M 22)
- ** 1 Dec.: Those whose initial essay topics were not approved must meet with Prof. Wozniak and choose a new, acceptable topic by today.
- 5 Dec. Student-directed Q and A Session and Review
- 7 Dec. Reading period. No class.
- ** 6 Dec. **Final Essay Deadline:** Essay due by 5 pm.
- ** TBA Dec. Final Exam for all sections. Final exam will cover material from entire class.