

# INTRODUCTION TO MICROECONOMICS

Economics 202-0-50 ♦ Spring 2009

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## Class Meetings and Attendance:

We will meet 12:00pm – 12:50pm on Mondays, Wednesdays & Fridays in Leverone [Coon] Auditorium from March 30<sup>th</sup> to June 1<sup>st</sup>, excluding breaks. Refer to the attached schedule for important dates to mark on your calendar. Attendance is not mandatory in this course, but it is expected, and some material will be presented only during class. If you do miss class, it is your responsibility to track down handouts, notes or any other information (especially regarding exams) you may have missed. When making your rational attendance choice, remember that secondhand notes may not be clear or complete, lectures will not be repeated in office hours, and that much can be learned from our collective classroom experience.

## Office Hours and Communication:

Regular office hours will be held Tuesdays 4:00pm – 6:00pm and Thursdays 10:00am – 12:00pm in Andersen 3234; see posted “3234 Directions.JPG” for directions. If these times are infeasible for you, I am also available at other times by appointment. I check e-mail often, so this is your best way to contact me. Please check Blackboard and your NU e-mail daily and be sure you can open and print PDF files.

## Teaching Assistants, Discussion Sections and Office Hours

Name	Tuesday 12:30pm	Thursday 12:30pm	Weekly Office Hours @ Andersen 328
Alexander James	Tech LG66	Tech LG66	TBA
Brian O’Quinn	Tech MG28	Tech MG28	TBA
Ketan Patel	Tech LG68	Tech LG72	TBA

I expect you to attend one of the weekly 50-minute discussion sections, beginning the second week of class. During the first week you will sign up for sections using Blackboard (instructions will be e-mailed soon). During a typical discussion session, your TA will administer a short reading quiz, provide solutions to practice exercises or exams, work out selected problems, discuss some of the ideas from the lectures or reading, and field some of your questions. Each TA will hold office hours in Andersen 328 (located across the hall from the ECON department office on the 3<sup>rd</sup> floor of the Jacobs Center). Feel free to attend any TA’s office hours that fit your schedule. [TA office hours and contact info will be posted to Blackboard.]

## Prerequisites:

You should be comfortable with ECON 201 [Introduction to Macroeconomics] topics such as supply & demand, as well as working with graphs, tables, and equations at the level of high school algebra.

## Required Textbook and Other Readings:

- Case, Fair and Oster (2009) Principles of Microeconomics (9<sup>th</sup> edition), Prentice Hall.

This required textbook should be available in the bookstore or online, either alone or bundled with study guides, software, online resources, etc.; I will be using only the textbook, so the extras are optional. I used this textbook last quarter, so there are likely some used copies around. Occasionally, I may post additional readings (e.g., recent articles from *The Economist*, *The Wall Street Journal*, *The New York Times*, *The Financial Times*, or *Business Week*, or supplemental readings from other economics textbooks). You probably can save some trees if you limit your printing of PDFs. Weekly reading quizzes will be based on the CFO textbook, so you should have a copy readily available.

### Course Overview, Goals and Objectives:

Formally, economics is the study of the allocation of scarce resources among competing ends. Informally, economics helps us understand how household, business, and government decision makers respond to incentives; the importance of properly functioning markets in a modern capitalist economy; and the role of government in alleviating various market failures. Microeconomics focuses on individual decisions (often using cost-benefit analysis) and the inner workings of specific markets. Picking up where macroeconomics leaves off, this course will introduce the principles of microeconomics, and teach you how to apply these concepts to real world scenarios. Thus, this course is aimed not only at potential economics majors, but also at any student who desires an enhanced ability to understand the popular press, critically analyze government policies (or lack thereof), and use microeconomic literacy (and numeracy) to make better choices as a consumer, producer, representative, investor, or voter. Specific course objectives are to:

- Help you understand and apply fundamental economics analysis  
(What are the effects of a tax cut? Why is theatre popcorn expensive?)
- Familiarize you with jargon used by the media  
(moral hazard, regulation, antitrust, insurance premium, quotas, profit)
- Dispel common misconceptions and carefully consider controversial topics  
(Do monopolies rip off consumers and last indefinitely? Are CEOs and pro athletes overpaid?)
- Increase the breadth of your understanding with discussions of current economic issues  
(auto/finance/insurance industry bailouts, subprime mortgage mess, credit crunch, toy recalls)
- Prepare you for advanced study in economics, marketing, finance or related fields – and post-NU life  
(How does the recent economic downturn complicate investing, borrowing and job seeking?)

### Teaching Methodology and Philosophy:

I assume you will learn from reading, attending lectures and discussion sections, practicing on your own, and working with peers. The readings will familiarize you with vocabulary and concepts, inspire questions, and give you a chance to ponder our material before I present similar ideas in different packaging. To add value beyond the readings, our classroom atmosphere will be informal and posted lectures may include material omitted in class to allow discussions of relevant current events. Practice exercises give you an chance to get your hands dirty and collaborate with others as you practice applying our tools. Free riders inevitably find the exams to be unpleasant experiences, as do those who misinterpret informality as an excuse to be lazy ☹. For a simple test of your knowledge, try explaining a problem and its solution to a friend or try constructing some problems (with answers) on your own. Class is much more enjoyable when there is active involvement by many students, so be prepared to pitch in now and then, and to participate in a Goldilocks sort of way – neither too little nor too much. This course will have a pragmatic flavor and emphasize practical application. I want you to leave this class possessing not only a set of abstract economic theories and formulas, but also – and perhaps more importantly – the ability to (1) use economic intuition to improve personal decisions, and (2) feel comfortable reading about, interpreting, and discussing economics in the real world. It is both my desire and job to teach you, so please let me know if anything is frustrating your efforts so that we can try to remedy the situation. Often it doesn't take much to get back on track if you take the first step of asking for assistance. Part of your job as a responsible adult is to monitor your progress and seek help when necessary or to let us know if you feel insufficiently challenged. ☺

### Evaluation:

Course grades will be based on weekly quizzes and three exams. Weights and dates are as follows:

<u>COMPONENT</u>	<u>IMPORTANT DATES</u>	<u>Points*</u>	<u>% of Grade*</u>
<i>Reading Quizzes</i>	<i>Tuesdays and Thursdays throughout the quarter</i>	<i>50</i>	<i>10 %</i>
<i>Examination I</i>	<i>Friday, April 24<sup>th</sup></i>	<i>125</i>	<i>25 %</i>
<i>Examination II</i>	<i>Friday, May 15<sup>th</sup></i>	<i>125</i>	<i>25 %</i>
<i>Final Examination</i>	<i>Thursday, June 11<sup>th</sup>, 12:00pm – 2:00pm**</i>	<i>200</i>	<i>40 %</i>

\* I typically grant modest point bonuses to students who turn in their exams on time, so the total number of points in the course will be very close to (but probably a bit over) 500.

\*\*SEE [http://www.registrar.northwestern.edu/registration/2009\\_Spring\\_Final\\_Exam\\_Sched.pdf](http://www.registrar.northwestern.edu/registration/2009_Spring_Final_Exam_Sched.pdf)

**Practice Exercises:** On a regular basis I will distribute via Blackboard some exercises to give you a chance to try to practice applying our tools. Typically, I will post these exercises when I cover the associated topics in class, and then the TA will provide and discuss solutions in the near future. I recommend you regularly set aside a few hours each week to work on these; ideally, you try them on your own, meet with classmates to compare answers, and then get the answers in session. **Reading Quizzes:** Each week in section the TAs will administer short (10-point) quizzes, typically in a true/false or multiple-choice format. The purpose of these quizzes is to inspire you to keep up with the reading and prepare a bit for section, during which the TA will typically introduce some new material or problems. The particular topics for the quizzes will be announced in advance. The quizzes will be administered only during the first ten minutes of section, so if you come late, you may miss the quiz. *There will be no make-up quizzes.* Your total quiz score will be the sum of your BEST FIVE quiz scores. **Exams:** The course is roughly divided into three units, each followed by an exam; the final exam will also contain big picture questions so we can assess your overall mastery of the course. *Due to the substantial costs and difficulties of marginal exam administration, there will be no make-up written exams. In the unlikely event that you cannot take a midterm exam for a legitimate, approved and documented reason (e.g. illness or emergency) and CONTACT ME (or the Economics Department) PRIOR TO THE START OF THE EXAM, I will reweight your other two exams* (the new weights in the table would be 12% quizzes, 33% exam and 55% final). A zero score will be assigned if you miss either midterm exam for an unexcused reason. You must take the final exam at the time in the published final exam schedule. Exams will feature a diversified portfolio of questions and topics. **Grades:** I grade to the curve, according to departmental recommendations, which means that I expect to assign a reasonable number of A/B/C/D/F's, regardless of the distribution of scores on any graded component. In practice, this means that your grade will depend on your total points at the end of the course, NOT on any sort of percentage. In other words, we will not be constrained by the "90/80/70% = A/B/C" system popular in American high schools. Thus, if you earn one of the higher point totals but score less than 90% you can still get an A, and if you score less than 70% or 60%, you don't automatically get a D or F. Your grade-maximizing strategy is simply to do your best on every graded component of the course, and we'll give you a fair grade. **Re-grading:** Occasionally, a student finds or suspects a grading error and requests that his/her exam be re-graded. The re-grading policy, which involves submitting a written request in a timely fashion, will be posted on Blackboard after the first exam.

#### **Academic Accommodation:**

Any student with a verified disability requiring special accommodations should speak to the course instructor and to the Office of Services for Students with Disabilities (847-467-5530), as early as possible in the quarter, preferably within the first two weeks of the course. All discussions will remain confidential.

#### **Academic Integrity:**

*Suspicion of academic integrity violations will be referred immediately to the Academic Dean's office.* Northwestern University's understanding and expectations in regard to issues of academic honesty are articulated on pages 26-27 of the 2008-09 Undergraduate Catalog. While you are a Northwestern student, you will be treated as an adult and will be held accountable for your actions; consequently you are expected to know and abide by the rules of the institution. It is important that you read and understand the ethical use of information (see Academic Integrity at Northwestern: A Basic Guide). Whether intentional or not, improper use of materials can be considered a violation of academic honesty. For example, you should not refer to prohibited materials (notes, another student's exam, a calculator) during an exam, alter an exam for re-grading, or fabricate excuses or lie in connection with your academic work. If you are unsure as to what is permissible, please consult me, because ignorance is not a valid excuse.

#### **Professionalism:**

I expect a reasonable degree of *professionalism*, broadly defined to include attendance, active participation, and generally contributing to an environment that is conducive to learning by being courteous to me and to your classmates. Potential employers and graduate schools tend to frown upon tardiness, snoozing, noisy chatting, note passing, computing shenanigans, discrimination, and other inappropriate behaviors, so now is a good time to smooth out some rough spots! Please turn off (or set to vibrate) any potentially noisy electronic devices during class and plan your restroom stops around class. If you must be late, please be considerate by quietly entering and sitting in the back. Serious distractions will not be tolerated.

### Schedule of Planned Topics, Due Dates and Recommended Readings:

This schedule is optimistic and may be subject to slight changes as our pace naturally varies with impromptu discussions of current events and practice problems. Please plan for the important exam and due dates, which will only change under extreme circumstances and with sufficient warning.

Week #	Dates	Lecture Topics and Important Dates <i>Recommended Chapters from the CFO Textbook</i>
1	Mar 30 – Apr 3	<b>UNIT I: Supply &amp; Demand, Market Controls, Welfare Analysis &amp; Utility</b> Introduction, Supply & Demand (Curves, Shifters, Eqm), Welfare Analysis <i>CFO 1-3 [NO QUIZ]</i>
2	Apr 6 – 10	Elasticity, Evaluating Govt Policies (Price Controls, Taxes, Subsidies, Quotas) <i>CFO 3-5, 19 [QUIZ #1]</i>
3	Apr 13 – 17	S&D Applications, Utility & Diminishing MU <i>CFO 5-6 [QUIZ #2]</i>
4	Apr 20 – 24	<b>UNIT II: The Profit-Maximizing Firm</b> Perfectly Competitive Firms, Profit-Maximization, Production Functions <i>CFO 7 [QUIZ #3]</i> <b>EXAMINATION I – Friday, April 24<sup>th</sup></b> (Covers Weeks 1-3; <i>CFO 1-6, 19</i> )
5	Apr 27 – May 1	Cost Curves, SR & LR Output Decisions; LR Market Adjustments <i>CFO 8-9 [QUIZ #4]</i>
6	May 4 – 8	Labor (Wages, MRPL) and Capital Mkts (Returns, Equity, Debt), Technology <i>CFO 10-11 [QUIZ #5]</i>
7	May 11 – 15	<b>UNIT III: The Role of Government in Imperfect Markets</b> Market Failures; Monopoly, Price Discrimination, Cartels, Antitrust Policy <i>CFO 12-13 [QUIZ #6]</i> <b>EXAMINATION II – Friday, May 15<sup>th</sup></b> (Covers Weeks 4-6; <i>CFO 7-11</i> )
8	May 18 – 22	Imperfect Competition: Oligopoly, Monopolistic Competition <i>CFO 14-15 [QUIZ #7]</i>
9	May 26 – 29	NO CLASS on MEMORIAL DAY, MONDAY, MAY 25 Externalities, Public Goods; Uncertainty and Asymmetric Information <i>CFO 16-17 [QUIZ #8]</i>
10	Jun 1	Course Summary: Major Themes & Lessons
Reading Period	Jun 2 – 5	<i>Ask your remaining questions! There will be additional office hours.</i>
Final	Jun 11	<b>FINAL EXAMINATION – Thursday, June 11<sup>th</sup>, 12:00pm – 2:00pm</b> 1 <sup>st</sup> part covers Unit III, Weeks 7-10, <i>CFO 12-17</i> , ≈125 points; 2 <sup>nd</sup> part features “cumulative” questions, ≈75 points. <b>Date and time are non-negotiable.</b> ☺

*A syllabus is a contract between the instructor and students that provides information about the course and provides a commitment device to prevent arbitrary behavior. I will assume that you are familiar with, and agree to, all policies delineated in this contract. If you object to, or do not understand, any part of this contract, please contact me immediately.*