

Principles of Microeconomics (ECON1201)

INSTRUCTOR

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Hours: Wednesdays 2:30 to 3:30 and by arrangement

COURSE DESCRIPTION

This course will cover a broad range of important microeconomic principles. To understand the big picture of what economics is all about, we start by thinking about Adam Smith's concept of the “invisible hand”—how free markets organize economic activity and arrive at efficient outcomes. Markets (buyers and sellers) set prices. Once prices are established, the natural forces of the market will allocate products and resources toward where they are valued highest. This process serves to organize the economic activities of a society with great efficiency.

The principles we will learn in this course involve all aspects of the market process, viewed from the perspectives of both individuals and firms. We will gain an understanding of how to make better economic decisions. The topics include supply and demand, consumer and producer choice, resource markets, pricing, profits, investments, market structure, competition, governmental roles, and the international aspects of microeconomics.

COURSE OUTCOMES

This course will provide an understanding of several key microeconomic principles:

1. how economists define opportunity cost and how the concept is useful to firms and individuals.
2. how supply and demand interact to reach equilibrium, and how shifts in supply and demand will impact equilibrium
3. how firms measure profits and strive to achieve allocative and productive efficiency
4. what are the factors of production.
5. what is meant by rational behavior and marginal analysis.
6. what is meant by utility and what is meant by utility theory.
7. what is meant by efficiency and an efficient allocation of resources.
8. what is the difference between a market economy and a command economy.
9. how are prices determined and what is their importance in a market economy.
10. what is meant by price elasticity of demand and supply
11. what is meant by market structure, what are the principal market structures, and how a firm's behavior is determined by the market structure in which it operates
12. what is the importance of investment and how do firms make investment decisions
13. the role of government in terms of tax policy and regulatory policy
14. how is income distribution defined and measured

15. what are public goods and externalities, and how can they be dealt with.
16. how do the theories of absolute advantage and comparative advantage explain market behavior with respect to trade

TEXTBOOK

"Microeconomics: Private and Public Choice" 15th ed, by Gwartney, Stroup. (13th or 14th ed also can be used)

ASSIGNMENTS AND GRADING

1. Homework Chapter Quizzes (20%)

A short quiz will be required for each chapter reading assignment. These will consist of 6 multiple choice questions. Quizzes can be found on HuskyCT. You will complete these online as part of the chapter homework. A total of 13 chapter quizzes will be given; your best 12 scores will count.

Chapter quizzes are not accepted late.

2. Mid-term Exam (40%)

The exam will consist of multiple choice and problems/essays. The problem/essay portion will be completed prior to the exam as part of on-going, in-class activities. Absences from class, therefore, may directly impact your exam grade.

You will do 6, each graded on a 10-point scale; your best 5 will count toward your exam grade. The questions may be done individually or in small groups (2 or 3 students) and are open book; many will be mathematical in nature. One make-up question will be available to be completed as part of your mid-term test. Beyond that, there will be no make-up for missed in-class questions.

The multiple choice portion will be 50 questions, closed book, done individually. This test will be given on October 11. Your problem/essay scores plus the October 11 test score will give you your mid-term exam grade.

If you miss the midterm test, you must make it up on the day of the final.

3. Final Exam (40%)

Same process as for the mid-term, covering the second half of the semester. The multiple choice portion of the final exam will be given on December 13

Academic dishonesty of any type will not be tolerated in this class. Students should refer to the Student Code (see section on Academic Integrity) as well as the policy posted on HuskyCT for specific guidelines.

Other related links: <http://www.ossa.uconn.edu/> and harassment at <http://www.ode.uconn.edu/>
Academic policies: <http://provost.uconn.edu/syllabi-references/>

COURSE OUTLINE/ READINGS

8/30 Chapter 1 **The Economic Approach**

Key learnings from this chapter include: Scarcity and the need to make economic choices; opportunity cost; cost vs benefit analysis; economizing behavior and rational thinking; examples of positive and normative statements.

9/6 Chapter 2 **Some Tools of the Economist**

Key learnings from this chapter include: How trade creates value; property rights; production possibilities curve; specialization and division of labor; comparing a market economy (capitalism) with a command economy (socialism)

9/13 Chapter 3 **Supply, Demand, and the Market Process**

Key learnings from this chapter include: Laws of demand and supply; factors that cause shifts in demand and supply; equilibrium and disequilibrium; consumer and producer surplus; preparing and interpreting supply and demand curves

9/20 Chapter 4 **Supply, Demand: Applications and Extensions**

Key learnings from this chapter include: How product and resource markets are linked; Price ceilings and price floors; tax incidence and how elasticity impacts this; deadweight loss of taxation

9/27 Chapter 7 **Consumer Demand and Elasticity**

Key learnings from this chapter include: The concept of utility (total utility and marginal utility); how utility relates to individual demand choices; solving for maximization of utility when constrained by a budget; price, income, and cross-price elasticities; main drivers of price elasticity; using the concept of price elasticity to aid in making pricing decisions

10/4 Chapter 8 **Costs and the Supply of Goods**

Key learnings from this chapter include: The difference between explicit and implicit costs; accounting profit vs economic profit; how to define “normal” profit; fixed and variable costs; long run and short run; the Law of Diminishing Marginal Returns

10/11 **Mid Term Exam**

10/18 Chapter 11 **Price-Searcher Markets**

Key learnings from this chapter include: The market structures of monopoly, oligopoly, and monopolistic competition; barriers to entry and how they impact market structure; the profit maximizing rule of output (where $MR = MC$); economies of scale and diseconomies of scale

10/25 Chapter 13 **Earnings, Productivity, and the Job Market**

Key learnings from this chapter include: Why does one individual make more than another?; earnings differentials due to non-identical workers; earnings differentials due to non-identical jobs; earnings vs productivity, real-world trends over recent decades; Henry Ford and the concept of efficiency wages

11/1 Chapter 14 **Investment, the Capital Market, and the Wealth of Nations**

Key learnings from this chapter include: Why do individuals and firms invest?; the time value of money (present value and future value calculations); risk vs return; making an investment decision using the Net Present Value approach

11/8 Chapter 5 **Difficult Cases for the Market and the Role of Government**

Key learnings from this chapter include: Market failures (demand-side and supply-side); externalities; non-rival and non-excludable; anti-trust regulations such as the Sherman Act and the Clayton Act; government failure

11/15 Chapter 6 **Collective Decision-Making**

Key learnings from this chapter include: Size and growth of the U.S. Government; how collective decision-making through the voting process differs from individual decision-making; when does the political process work well and when does it work poorly; special interests and rent-seeking; defining efficiency in the public sector

11/29 Chapter 16 **Gaining from International Trade**

Key learnings from this chapter include: Size and growth of the U.S. trade sector; the theories of absolute advantage and comparative advantage; how gains from specialization and trade translate into improved living standards; trade barriers and why countries adopt them

12/6 Chapter 15 **Income Inequality and Poverty**

Key learnings from this chapter include: Income distribution, measurements and recent trends; Lorenz curve and Gini ratio; why has inequality increased?; poverty measures; Molly Orshansky poverty thresholds; LBJ's "War on Poverty"; redistribution policies

12/13 **Final Exam**

