Economics 111- Principles of Microeconomics
Fall 2008

1 Preliminaries

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Office Hours:	Th 11-1 and by appointment	MW 4-6
Course Materials:	N. Gregory Mankiw, *Principles of Microeconomics*	
	Aplia - internet based problem sets and articles	

2 Course Description

Microeconomics provides a powerful set of tools for understanding decisions made by individuals, firms, and governments. This course is intended to provide an introduction to these tools and show how they can be applied to the analysis of situations ranging from the decreasing area of forests in developing countries to education reform in the United States.

2.1 Learning objectives:

1. To understand the mechanics of supply and demand in competitive markets and
2. to understand how these mechanics change when markets are not competitive.
3. To identify when markets fail to allocate goods efficiently and
4. to understand basic policy responses to these failures.
5. To be able to apply basic economic analysis to real world situations.

3 Course requirements

Your grade in this course will be based upon problem sets, two midterms, a final exam, in class problems, participation in Econ Jeopardy, and a short paper. The contribution of each of these elements to your final grade is as follows:

Problem sets:	20%
Midterm exam I:	15%
Midterm exam II:	15%
Final exam:	15%
Floating exam grade:	15%
In class problems:	5%
Jeopardy:	5%
Paper:	10%

The final grades in the class will be curved. Note that there is a "floating exam grade". This floating grade will be the same as your highest exam grade. Another way to think about this is that exams are worth 60% of your grade, and your highest grade counts twice as much as your other two exam grades. This means that if you have a bad exam day, you have a way to partially make up for it.

The other components of your grade will be discussed in more detail below, but please note that your problem sets will be posted on Aplia, and your two lowest grades from these assignments will be dropped.

In addition to the readings assigned in the textbook, I will occasionally post articles to read on on Aplia. We will discuss some of these articles in class and material from them will be included in the problem sets and exams.

4 Tentative Schedule

This course will cover chapters 1-11 and 13-17 in the Mankiw text. I will go through the chapters in order. I do not post a schedule of lectures, as I find that the speed at which I cover material varies greatly from class to class. However, below you will find a list of the topics covered in class and some of the associated activities.

- Chapter 1: Ten Principles of Economics: An introduction to the unifying principles of microeconomics
- Chapter 2: Thinking Like an Economist: An introduction to the scientific method, economic models, positive and normative analysis
- Chapter 3: Interdependence and the Gains from Trade: Why do individuals benefit from trading? Introduced with a clip from the movie *Cast Away*
- Chapter 4: The Market Forces of Supply and Demand: This is the core of the class. Here we introduce supply, demand, and comparative statics. Discussion revolves around clips from the movies *Blood Diamond* and *The Hudsucker Proxy*. We will also run an in-class experiment to show you how supply and demand operate.

- Chapter 5: Elasticity and its Application: This chapter considers price elasticities of supply and demand, cross-price elasticities of demand, and income elasticity.

- Chapter 6: Supply, Demand, and Government Policy: Here we look at two basic classes of government policies – price restrictions (price floors and ceilings) and market-based policies (taxes and subsidies). We will run an in-class experiment through Aplia to illustrate some of these policy tools.

- Chapter 7: Consumers, Producers, and the Efficiency of Markets: This chapter introduces the concepts of efficiency and distribution of benefits. We will discuss the concepts of consumer and producer surplus brought up by the movie *Pretty Woman*.

- Chapter 8: The Costs of Taxation: This chapter combines concepts from chapters 7 and 8 to show how consumers and producers lose from taxes.

- Chapter 9: International Trade: Here we consider why economists believe that international trade is a good thing. We will also illustrate why it might not be using a clip from the movie *Dirty Pretty Things*. We will also discuss how and why governments try to decrease trade.

- Chapter 10: Externalities: This is our first example of a case where markets do not allocate goods efficiently. Using a clip from the movie *Erin Brocovich* as an introduction, we will discuss how environmental problems, immunization, and poverty can all be framed as "externality" problems.

- Chapter 11: Public Goods and Common Resources: We will use two in-class games to provoke discussion about two other cases where markets do not allocate goods efficiently – public goods and common resources.

- Chapter 13: The Costs of Production: This chapter marks a shift in our focus towards behavior of the firm within different types of markets. We will discuss different costs firms incur in production, inspired by a clip from the movie *Catch me if you can* and *The Man in the White Suit*.

- Chapter 14: Firms in Competitive Markets: Armed with our knowledge of firm costs, we will observe how firms behave in a market where there are many buyers and many sellers. Introduced by a clip from *You've Got Mail*.

- Chapter 15: Monopoly: This chapter shows how firm behavior changes when there is only one seller of a good, and how this situation results in an inefficient allocation of goods. The contrast between this and the competitive market will be highlighted with scenes from *Forest Gump*. We will consider the welfare implications of monopoly, and discuss the finer points of price discrimination with the help of some scenes from *Legally Blonde*

- Chapter 16: Oligopoly: This chapter falls between chapters 14 and 15 by describing a case where there a few sellers of a homogenous good. Because of this situation, one seller's behavior affects everyone else's profits, a situation that is best described using game theory. Movie clip: *Murder by Numbers*

Here are some important dates for this class, so you can plan your schedule accordingly.

- **Thursday, October 2 – midterm I**
- **Thursday, November 6 – midterm II**
- **Tuesday, November 18 – paper proposal**
- **Tuesday, December 9 – last day of class, paper due**
- **Monday, December 15 at 12 pm – final exam**

There are no make-up exams except with a verified doctor's note.

5 Problem sets

Graded problem sets will be done through Aplia, an online course management system. Problem sets will be will be assigned on the day that I finish covering the relevant material in class and are always due one week after they are assigned. The due dates will be posted on Aplia. **Your two lowest problem set grades will be dropped.**

5.1 *Principles of Microeconomics* and Aplia

The required text for this class is Mankiw's *Principles of Microeconomics*. **DO NOT PURCHASE A TEXTBOOK AT THE BOOKSTORE UNTIL YOU READ THIS**

You will be using Aplia for this course. Aplia is an online product that contains both a digital version of the textbook and online homework. On the Aplia website you will find weekly announcements and problem sets. The due dates for the problem sets will be listed on the site. To reiterate and clarify:

- In this course, you will use a textbook and Aplia's website.
- You will save money if you buy these together.
- You have two purchase options. You will have free access to the first four chapters of an online copy of your textbook at Aplia. You can access the remaining online chapters as soon as you submit a payment for your Aplia course.
- Don't buy anything until you understand your alternatives.

5.2 How to register for Aplia

Your total Aplia homework grade counts for 20% of your grade. To register for Aplia, follow these steps:

1. Connect to http://www.aplia.com (you may do this through Blackboard if you wish).

2. Click the **System Configuration Test** link below the **Sign In** and **Register** sections to make sure you can access all of the features on Aplia's website. This takes just a few seconds and tells you how to update your browser settings if necessary.

3. Return to http://www.aplia.com.

   (a) If you have never used Aplia before, click the **New Student** button and enter your Course Key: 4EZT-E3N9-VXXP. Continue following the instructions to complete your registration.

   (b) If you have used Aplia before, sign in with your usual e-mail address and password and enter your Course Key when prompted: 4EZT-E3N9-VXXP. If you are not prompted for a new Course Key, click the **Enter Course Key** button to enroll in a new Aplia course. Enter your Course Key when you are prompted.

4. If you understand your payment options, pay now. Otherwise, postpone your purchase decision by choosing the option to pay later. Your payment grace period ends at the end of the day on 9/21/08.

5.3 Do you want to buy a physical textbook?

If No, simply pay for your Aplia course ($60): Instructions on the Aplia website walk you through the payment process. There are several ways to pay. You can pay online with credit, debit, or electronic check. Aplia also accepts money orders mailed to: Aplia, Inc., 931 Terminal Way, San Carlos, CA 94070.

If Yes, choose from these two options:

1. Buy your physical textbook through Aplia ($60 for Aplia, plus $50 for the physical textbook and $7.50 in shipping and handling).

   (a) First, purchase your Aplia course. Instructions on the Aplia website walk you through the payment process.

   (b) Next, purchase your physical textbook from Aplia. After you pay for your Aplia course you can order a textbook through Aplia. Just sign into your Aplia course, click on the **Bookstore** link on your Home page, and follow the prompts to place your order.

2. Buy your physical textbook from the campus bookstore. Textbooks from your campus bookstore come bundled with an Aplia Payment Code. Use the payment code to pay for your Aplia course online. The Aplia Payment Code covers your Aplia course fee. Aplia does not refund courses paid for with an Aplia Payment Code.

Grace Period for Payment: You may register and use the website until 9/21/08 without paying the fee. If you are considering dropping this course during the drop/add period, do not make a payment until you decide to stay in the course. You need to pay the full amount before the end of the grace period to continue using the site.

5.4 A note on Aplia assignments

The Aplia problem sets have a firm due date. You can change your answers as many times as you like before the due date passes. Should you wish, you can also attempt questions multiple times. Once the due date passes, Aplia records your grade and you can no longer change your answers or complete the assignment. In other words, Aplia assignments must be done by the due date. The software does not understand excuses. Do your assignments early to keep last minute emergencies from getting in your way. After the due date, Aplia displays the correct answers and explanations for graded problems.

Disclaimer: I receive no monetary benefit from requiring Aplia assignments.

6 In class problems

During lecture, I will frequently ask you to work on problems in groups. You will write these problems down, try to answer them, and turn them in during class time. Each individual in a group will receive the same grade for problems that you turn in. Points for these exercises compose 5% of your final grade.

7 Econ Jeopardy

Three times during the semester, we will play Econ Jeopardy as a way of reviewing basic terms and concepts for the class. You may earn Jeopardy points, which compose 5% of your final grade, in three ways:

1. You may volunteer to play and earn points by answering questions correctly.
2. You may answer questions correctly that players in the game cannot answer.
3. You may submit questions for play in future games. I will accept questions from particular chapters up to two weeks after we have concluded that chapter in lecture.

8 Short paper

Economics is a useful way to analyze current events. Therefore, for this class you will have to keep abreast of current events. Every week, you are expected to collect at least one news article from a reliable news source and post it on Blackboard in your own personal blog folder. You may post either the link or a pdf version of the article. Reliable news sources include: *The New York Times*, *The Washington Post*, *The San Francisco Chronicle*, *The Economist*, *Newsweek*, among others.

On the **last day of class**, you will be expected to turn in a news analysis that uses some of the basic tools acquired in the class. You may choose to discuss the effects of current events on a particular market (i.e., instability in the Gulf region on oil prices) or the economic forces driving a particular event (i.e., the rise in food prices over the past year). A good approach to this project is to focus on a particular market. Your grade for the paper will depend upon:

1. **Your article portfolio** (5 points) – you will lose points if you fail to post an article every week.

2. **A one sentence topic proposal** (2 points) – sent to me electronically on or before **November 18**.

3. A **three page analysis** (8 points) of one or more articles using the basic tools of microeconomics acquired in this class. Your analysis must include the basic components of an essay: an introduction, analysis, and conclusion. While you are not graded explicitly on your writing style, if I cannot understand what you are saying, this will be reflected in your grade.

9 Class Policies

- **Except for documented emergencies or University excused absences, make-up exams are not given.**
- Even when you are representing the University of San Francisco in intercollegiate competition (e.g., athletics, debate), you are responsible for advising me regarding anticipated absences and for arranging to complete course work for classes and/or examinations missed.
- I cannot force you to attend class, nor would I want to. Please be aware, however, that whether you attend or not, you are responsible for everything that occurs in class.
- Please note that if you stop attending class, you are not automatically dropped from the class. If you wish to withdraw from the course, you must bring a drop/add form to me to sign.
- Cheating on any quiz or exam will result in a zero score for that work as well as a referral to the Dean and the Committee on Student Academic Honesty.
- The ringing of a cell phone in class will result in a pop quiz.
- Laptops are only allowed in class with permission of the instructor.