

BOSTON COLLEGE

CHESTNUT HILL, MASSACHUSETTS 02167

Principles of Microeconomics
EC131.07/ EC131.08 - Fall 1998

Instructor: Michael Hansen
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Class time and room: MWF 12 PM (131.07) & MWF 1 PM (131.08), Fulton 117

Office hours: Tuesday/Thursday 3:30-5:00 PM, Carney 33-A
or by appointment

Course Objective: To become familiar with the foundations of Microeconomics. Economics has its own set of tools and language. Emphasis will be placed on expressing ideas in a logical and concise manner, consistent with the language of economics. Graphs will often be used to convey these principles.

Text: REQUIRED - Tresch, Richard. Principles of Economics, West Publishing Company
Text is available in the Bookstore.

This course will closely follow the text, so it is recommended that you keep up with the reading. Class participation is **strongly** encouraged. We will be covering a great deal of material during this course; your questions and responses in class will allow me to focus on the subjects that require the most attention. Regular class attendance is **expected**.

Course Requirements:

	<u>% of grade</u>
Homework	10%
Quizzes	15%
First Midterm	20%
Second Midterm	20%
Final Exam	35%

If I do not receive your homework by the conclusion of class on the day which it is due, you will not receive credit for that particular homework. Make-up quizzes will not be given. If you miss a homework or a quiz, that assignment will not factor into the final grade. It is recommended, however, that you do all homework and take all quizzes. These are designed to help you learn, and success on homework and quizzes will assist you on the exams. In addition, effort on assignments will help in cases of borderline grades. Any student who misses all homework or all quizzes will receive a zero for that portion of the final grade. A missed exam will receive a grade of zero.

Academic Integrity: You are expected to do your own work on quizzes and exams. Any violations of this standard will be dealt with as explained in the BC Student Handbook. Collaboration on homework in groups of three or less is encouraged.

Reading List

An asterisk (*) indicates that the reading is recommended, but not required. The remaining readings are required.

I. Introduction

A. Math Review

B. Chapter 1 - The First Principles of Economics

- 1 - What is economics? (pp. 4-5)
- 2 - The economic problem (pp. 5-6)
- 3 - The key players in the economy (pp. 6-10)
- 4 - The circular flow (pp. 77-79 in Chapter 4)
- 5 - Interdependence and opportunity cost (pp. 10-13)
- 6 - Exchange (pp. 13-14)

C. Chapter 2 - Solving the Economic Problem

- 1 - Economists as model builders (pp. 26-29)
- 2 - Normative and positive analysis (pp. 29-31)
- 3 - Efficiency and equity (pp. 18-26)
- 4 - Microeconomics and Macroeconomics (pp. 31-33)

D. Chapter 3 - Society's Economic Problem

- 1 - Society's Economic Problem (pp. 38-49)
 - Objectives
 - Alternatives
 - Constraints - Production Possibilities Frontier
- 2 - Economic systems (pp. 57-64)

E. Chapter 4 - Markets, Prices and the US Economy

- 1 - Markets (pp. 70-75)
- 2 - Comparative Advantage (pp. 75-77)
- 3 - * The U.S. Economy (pp. 80-91)

II. Competitive Markets - The Laws of Supply and Demand

A. Chapter 5 - Demand and Elasticity

- 1 - Individual demand (pp. 100-104)
 - The consumer's economic problem
 - The Law of Demand
 - Substitution and Income Effects
- 2 - Market demand (pp. 104-109)
 - Shifts in demand vs. Changes in quantity demanded
 - Substitutes and Complements
- 3 - Elasticity (pp. 109-122)
 - (Own) price elasticity of demand
 - Determinants of elasticity
 - Income elasticity of demand
 - Cross price elasticity of demand

B. Chapter 6 - Supply and Marginal Cost

- 1 - The firm's economic problem (pp. 128-131)
- 2 - Supply (pp. 131-145)

- The Law of Supply
- Marginal Cost
- 3 - Market Supply (pp. 145-147)
 - Shifts in supply vs. Changes in quantity supplied
- 4 - Elasticity (pp. 147-150)
 - Determinants of elasticity

C. Chapter 7 - Market Equilibrium

- 1 - Laws of Supply and Demand (pp. 156-168)
 - Market equilibrium
 - Excess supply and excess demand
 - Stability
 - Shifts in supply and/or demand
 - Relationship to elasticity
- 2 - The Allocation of Resources (pp. 168-177)
 - Marginal Cost
 - Marginal Value
 - Total Cost, Total Value, Net Value
 - Consumer Surplus
 - Producer Surplus
 - Efficiency

D. Chapter 8 - Applications of Supply and Demand

- 1 - * Agriculture (pp. 182-190)
- 2 - * “Nonclearing” markets (pp. 190-193)
- 3 - “Unfair” prices (pp. 193-202)
 - Price Ceilings and Price Floors
 - Rent control
 - Agricultural subsidies
- 4 - The Economic Effects of Taxation (pp. 202-208)
 - Market Reaction
 - Distributional Implications
 - Efficiency Implications

E. Chapter 9 - Supply and Demand in Competitive Labor Markets

- 1 - The Supply of Labor (pp. 213-219)
 - Consumer’s modified economic problem
 - Substitution and Income Effects
- 2 - The Demand for Labor (pp. 219-223)
- 3 - Labor market equilibrium (pp. 223-224)
- 4 - The Federal Minimum Wage (pp. 234-237)

III. Behavior of Business Firms in a Market Economy

A. Chapter 11 - The Firm's “How” Problem and the Total Cost of Production

- 1 - Total Cost of Production (pp. 278-282, 294-299)
 - The Long Run and the Short Run
 - Fixed Costs and Variable Costs
- 2 - The Total Cost Curve and Economic Efficiency (pp. 286-288)
- 3 - Least Cost Production (pp. 288-294, 299-300)
 - The firm's “How” problem
 - Least-Cost Production Rule

B. Chapter 13 - Perfect Competition

- 1 - Classification of Product Markets (pp. 338-343)
- 2 - Review of Perfect Competition (pp. 346-349)
- 3 - Profit and Loss (pp. 349-352)
 When should a firm not produce at all?
- 4 - Average Cost and Marginal Cost (pp. 352-356)
- 5 - Short-Run Equilibrium (pp. 356-362)
- 6 - The Long-Run (pp. 362-369)
 Entry and Exit of Firms
- 7 - Normative Properties of Perfect Competition (pp. 374-378)

C. Chapter 14 - Pure Monopoly

- 1 - Profit Maximization under Pure Monopoly (pp. 390-399)
 Downward-sloping Demand Curve
 Maximizing Profit
- 2 - Evaluation of Monopoly (pp. 399-406)

D. Chapter 15 - "Softening" Competition

- 1 - Collusive Behavior (pp. 422-427)
 Cooperation and Cheating
- 2 - Monopolistic Competition (pp. 427-435)
- 3 - Evaluation of Monopolistic Competition (pp. 435-439)