

BOSTON COLLEGE
Department of Economics

EC 131.11 (MWF2)
Principles of Economics--Micro
Fall 1998

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The ideas of economists, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Mad men in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.

John Maynard Keynes, 1926

I. Course Objective

The objective of this course is to learn the fundamentals of microeconomics. In order to achieve this goal, you must become literate in the vocabulary, obtain a sound understanding of the concepts of microeconomics including economic problems, production possibilities frontiers, demand curves, firm behavior and supply curves, market equilibrium, price and output determination within single markets, different market structures, market failures and public policy.

II. Required Text

Tresch, Richard W., Principles of Economics, West Publishing Company, 1994.

All readings in the course outline refer to Tresch.

III. Course Requirements

	<u>dates</u>	<u>% of final grade</u>
First exam	October 9, (Friday)	30%
Second exam	November 13, (Friday)	30%
Final exam	December 16, (Wednesday, 12:30)	40%
Numerous problem sets (optional but strongly recommended) used as additional evidence for adding up to one notch on your final grade (C to C+, B- to B, etc).		

IV. Course Organization and Expectations

- The final exam is comprehensive.
- You are held responsible for all readings, assignments and announcements made in class.
- All exams must be taken. Failure to take any exam **will result in a zero** for that exam. Absolutely NO make up exams will be given in this course. Any valid excuse must be **approved through me prior to the exam**. Any excused exam that is missed will result in re-weighting of subsequent exams. The final exam must be taken. If school happens to be canceled (ex. snow day) on the day of the scheduled exam, the exam will be given on the next class meeting. Since the dates of the exams are known in advance, please plan your travel arrangements accordingly.
- Problem sets will be given throughout the course. The best way to learn economics is by solving problems. They are optional but strongly recommended. Indeed, they are not only used as additional evidence for adding up to one notch on your final grade (C to C+, B- to B, etc) but also designed to help you study for the exams. It is therefore in your best interest to work on them thoroughly. Problem sets will be handed out at least one week before they are due. I will still collect them and check them. NO late assignment will be accepted. Answers to the problems will be made available.
- You may work together on the problem sets--indeed you are strongly encouraged to do so--but you are not to simply copy the work from someone else. You are to work through your own answers before turning them in.
- The development of the material is cumulative -- it builds upon itself -- so don't let things get behind. Feel free to stop me at any point to ensure that you understand before moving on. Ask questions and visit in my office during my office hours (Tuesday, 1:00-5:00). You can also make an appointment for other days or time. Also, the Academic Developing Center (located on the second floor of the O'Neill Library) provides free tutoring services. You should definitely take advantage of those.
- Before class, you should review previous material and skim the text to get an idea of the material to be covered in class. During class you should take good notes, ask questions if there is any point which is not clear. You should encourage and engage in discussion when it seems appropriate. After class, you should review your notes, read the appropriate text material, and prepare a list of anything you need clarified. **So class attendance is extremely important and active participation in class is strongly encouraged.** Sometimes, both class attendance and participation will be considered in addition to the problem sets when determining a borderline grade.
- There are no formal prerequisites for this class. However, certain mathematical skills up to and including some of high school algebra are essential. The most important skill is how to read and understand graphs. Also, you need to be able to manipulate fractions, simple equations, percentages, and decimals. The essential elements of the mathematical techniques required will be presented in class as we go along.
- **Academic Integrity:** Please be advised that cheating on any exam or quiz will not be tolerated and will result in an automatic failing grade on the exam or quiz in question. This will be the minimum action taken. Please refer to the page on Academic Integrity taken from the BC Student Handbook.

Course Outline:

I. Introduction: Fundamental Economic Principles (2 weeks)

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| 1. Definition of Economics | Ch. 1 |
| 2. The Three-Part Economic Problem | Ch. 1, 2; Ch. 4 (pp.77-80) |
| 2. Society' s Economic Problem | Ch. 3 (pp.38-57) |
| 3. Choosing an Economic System | Ch. 3 (pp.57-66) |
| 4. Overview of Markets and the U.S Economy | Ch. 4 |

II. Competitive Markets--The Laws of Supply and Demand (6 weeks)

A. Markets for Goods and Services (Product Markets)

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| 1. The Demand curve:
Demand and Elasticity | Ch. 5 |
| 2. The Supply Curve
Supply and Elasticity | Ch. 6(pp.128-133;pp.145-151) |
| 3. Market Equilibrium | Ch. 7 |
| 4. Applications | Ch. 8 |
| 5. Theory of the Firm (Supply) | |
| a. Optimal Input Decisions:
Least-cost rule and Applications | Ch. 11 (pp.288-307) |
| b. Cost Analysis | Ch. 11 (pp.278-288) |
| c. Behind the Supply Curve | Ch. 6 (pp.133-145) |

B. Factor Markets

The case of Competitive Labor Markets Ch. 9

III. Evaluation of the Market System (1 week)

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| 1. Strengths | Ch. 23 (pp.642-643) |
| 2. Limitations
Market Failures and Government intervention | Ch. 23 (pp.643-662) |

IV. Alternative Market Structures (3 weeks)

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| 1. Perfect Competition | Ch. 13 (Review Ch. 6) |
| 2. Pure Monopoly | Ch. 14 |
| 3. Monopolistic Competition | Ch. 15 |
| 4. Oligopoly | Ch. 16 |
| 5. Antitrust Policy and Regulation | Ch. 17 |

V. Topics in Microeconomics (As time permits)

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| 1. Labor Markets: Further Explanation of Differences in Earnings | |
| a. Determinants of Wages | Ch. 18 |
| b. Human Capital Theory and Discrimination | Ch. 19 |
| 2. Distribution of Income and Poverty | Ch. 22 |