

Economics 131.04

Micro Principles

Fall 2004

Monday, Wednesday, and Friday 10:00-10:50am

Location: Campion 328

Instructor: Mariano Kulish

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<http://www2.bc.edu/~kulish/>

Office Hours : Monday, 12:30-1:30 pm and Wednesday, 12:30-1:30pm

Course Description

As its title suggests, this course introduces the fundamental principles and ideas of microeconomics. Part 1 provides a preview of the big ideas that show up throughout economics, such as marginal decisionmaking, the role of incentives, and the efficiency of market allocations. We will discuss the role assumptions in developing a theory and introduce the concept of an economic model. Part 2 introduces the fundamental tools of supply and demand. Then, extend the analysis by studying the concepts of elasticity, consumer surplus and producer surplus. We will then use these tools to examine the effects of different government policies, such as price controls, minimum-wage laws, and tax incidence. Part 3 studies the behavior of firms and industrial organization. Here we will examine different market structures such as competitive markets, monopoly, oligopoly and monopolistic competition. Part 4 analyses the markets for factors of production. We will discuss the determination of wages, income inequality and poverty. Part 5 (time contingent) will cover a variety of interesting topics such as market failure, the tax system, and a look at the frontiers of microeconomics.

Course Materials

The required textbook for this course is N. Gregory Mankiw's *Principles of Microeconomics* (Third edition, Thomson South-Western, 2004).

If you are planning to take Macro Principles later on, then buying the complete version of the book might be a good thing to do. The complete version is N. Gregory Mankiw's *Principles of Economics* (Third edition, Thomson South-Western, 2004).

The *Study Guide* prepared by David R. Hakes accompanies N. Gregory Mankiw's *Principles of Microeconomics*. Although the *Study Guide* is not required, it is strongly recommended.

Lecture Notes will be available through the course webpage <http://www2.bc.edu/~kulish/>. It is your responsibility to download, print out and bring these *lecture notes* to class. Note that you should have these *lecture notes* ready in advance. In fact, having the lecture notes of the material that we are going to cover in class will not only reduce the effort needed to write down key ideas but also allow you to better focus during class.

Grading

Grades for this course will be based on a *midterm exam*, a *final exam*, and a series of regular *problem sets*.

Midterm Exam: (35% of the grade)

The midterm exam will be held on the 15th of October during regular class meeting times. There will be no makeup exam, except for well documented, acceptable excuses ahead of time, such as medical reasons or family emergencies. (I will verify your excuses.)

Final Exam: (50% of the grade)

The final exam will be held during the final exam period at the end of the semester, according to the University's official final exam schedule. For this class, in particular, the final exam is scheduled for TBA. The final exam will be cumulative, meaning that it will cover material from the entire semester.

Problem Sets: (15% of the grade)

Problem sets will be distributed and collected in class. For your convenience they will also be posted on the course webpage, <http://www2.bc.edu/~kulish/>.

For the purpose of grading late problem sets will not be accepted (regardless of the reason). However, if the total number of problem sets during the semester is n then your final average grade over problem sets will be computed over the best $n-1$ problem sets.

You are allowed to work on problem sets in groups. However, problem sets should be written and submitted individually. Problem sets that are identical to any other will receive a failing grade.

Extra Credit (Grade Bump)

Random Quizzes:

At randomly chosen dates, a random number of short-in-class quizzes will be held during regular meeting times. These short-in-class quizzes are aimed at providing you with an incentive to work on a regular basis and to attend classes. *Random quizzes* are optional, meaning that if you do not take them there is no penalty. *Random quizzes* will only

involve material that has been recently covered, or material that is expected to be covered shortly. The *course outline* gives you an easy way to determine where we are and where we are heading in the course.

Each random quiz will be composed of a total of 5 questions (multiple choice/true-false type of questions). Thus, each random quiz grade ranges between 0 and 5. *Random quizzes* are to be solved in no more than 6 minutes.

Grade Bump Policy

Your *Random Quiz Average (RQA)* for the whole semester will then determine whether or not you receive a *grade bump*. Recall that random quizzes are optional, so that if you do not take them there is no harm and your final grade will be determined only by the midterm exam, the final exam and problem sets. However if you take the random quizzes and your performance is good, you will get a *grade bump*. The *grade bump* policy works as follows:

| | |
|-----------------------------------|----------------------------|
| A- to A | requires a $RQA \geq 3.25$ |
| B+ to A- | requires a $RQA \geq 3.00$ |
| B- to B and B to B+ | requires a $RQA \geq 2.75$ |
| C- to C, C to C+ and C+ to B- | requires a $RQA \geq 2.25$ |
| D- to D, D to D+ and D+ to C- | requires a $RQA \geq 2.00$ |
| F <u>cannot be bumped</u> to a D- | |

So for example, if your midterm exam, final exam and problem sets yield a grade of B+ and your *RQA* is greater than or equal to 3.00, then your final grade for the course will be A-. I will drop the lowest score that you receive in random quizzes. Because this insurance is provided to you, in case you have a bad day or any other type of problem, no make-up quizzes are offered.

Academic and Personal Integrity

Please re-familiarize yourself with the University's policies on academic integrity, which are described on the web at

<http://www.bc.edu/offices/stserv/academic/resources/policy/#integrity>

Needless to say, cheating, plagiarism, and collusion in this course cannot and will not be tolerated.

Attendance

I do not check attendance. However, a student who is absent from class is responsible for obtaining knowledge of what happened in class, especially information about announced tests or other assignments.

Course Outline

Part I: Introduction

Ten Principles of Economics Chapter 1

Thinking Like An Economist..... Chapter 2

Part II: Supply and Demand

The Market Forces of Supply and DemandChapter 4

Elasticity and Its ApplicationChapter 5

Supply, Demand and Government PoliciesChapter 6

Consumers, Producers, and the Efficiency of MarketsChapter 7

Application: The Cost of TaxationChapter 8

Part III: Firm Behavior and The Organization of Industry

The Costs of ProductionChapter 13

Firms in Competitive Markets Chapter 14

MonopolyChapter 15

OligopolyChapter 16

Monopolistic CompetitionChapter 17

Part IV: The Economics of Labor Markets

The Markets for the Factors of ProductionChapter 18

Earnings and DiscriminationChapter 19

Income Inequality and PovertyChapter 20

Part V: Other Topics (time contingent)

V.I

ExternalitiesChapter 10

Public Goods and Common ResourcesChapter 11

The Design of the Tax SystemChapter 12

V.II

The Theory of Consumer ChoiceChapter 21

Frontiers of MicroeconomicsChapter 22

V.III

Interdependence and the Gains from TradeChapter 3

Application: International TradeChapter 9