

# **Economics 131.05**

## **Micro Principles**

**Fall 2004**

Monday, Wednesday, and Friday 11:00-11:50am

Location: Campion 328

Instructor: Mariano Kulish

Administration Building at 21 Campanella Way, Room 462H

Tel: 617-552-6271

e-mail: [kulish@bc.edu](mailto:kulish@bc.edu)

<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 15<sup>th</sup> 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 Demand .....Chapter 4

Elasticity and Its Application .....Chapter 5

Supply, Demand and Government Policies .....Chapter 6

Consumers, Producers, and the Efficiency of Markets .....Chapter 7

Application: The Cost of Taxation .....Chapter 8

**Part III: Firm Behavior and The Organization of Industry**

The Costs of Production .....Chapter 13

Firms in Competitive Markets ..... Chapter 14

Monopoly .....Chapter 15

Oligopoly .....Chapter 16

Monopolistic Competition .....Chapter 17

**Part IV: The Economics of Labor Markets**

The Markets for the Factors of Production .....Chapter 18

Earnings and Discrimination .....Chapter 19

Income Inequality and Poverty .....Chapter 20

**Part V: Other Topics (time contingent)**

**V.I**

Externalities .....Chapter 10

Public Goods and Common Resources .....Chapter 11

The Design of the Tax System .....Chapter 12

**V.II**

The Theory of Consumer Choice .....Chapter 21

Frontiers of Microeconomics .....Chapter 22

**V.III**

Interdependence and the Gains from Trade .....Chapter 3

Application: International Trade .....Chapter 9