

BOSTON COLLEGE
Department of Economics

EC 131.06
Principles of Economics: Micro
Fall 2009
M,Th 6:30–7:45 pm
Carney 206

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Office Hours: T 12–1pm, Th 3–4 pm, by appt.

Textbooks:

- 1) Frank and Bernanke - Principles of Microeconomics, 3rd or 4th ed.
- 2) EC131 Lab Manual (from BC Bookstore)
- 3) Aplia software

The Lab Manual is required and can be purchased at the campus bookstore. I encourage you to find copies of the 3rd edition of Frank, Bernanke online and save yourself some money. There is very little difference between the 3rd and 4th editions, and I will inform you of the page numbers of any readings or assignments when there is one.

The Aplia Course Key is JU3R-3XVK-WGH4. This is also a required purchase, as your problem sets will have to be done online at this website: <http://www.aplia.com>

Course Description:

The goal of this course is to develop the language and tools economists use to understand human behavior, particularly in the context of economic activity. The breadth of the subject will prove challenging, particularly if this is your first course in economics. However, with an investment of your time and mental effort, you will take with you a very powerful way of examining and understanding the social world.

This course will involve a lot of economic experiments, which will require your active engagement. The purpose of these experiments is to enliven your classroom experience while demonstrating concepts and exhibiting phenomena of actual economic situations. As you will see in the section on grading, these experiments should be taken seriously; nevertheless, they will almost certainly prove interesting, if not fun!

EC131 is designed to meet a number of needs. It is the first course in the economics major, it is a required course for all CSOM students, it is one of the choices to fulfill the social sciences Core requirement, and it serves as an elective to anyone who wants an introduction to economics. It introduces the basic tools of economic analysis and applies these tools both to problems of historical interest and to current public policy.

Academic Integrity:

You are encouraged to work together to understand the material, particularly the experiments and the related homework and lab work. However, you must work on the online Aplia problem sets by yourself, and any homework and lab reports you turn in must be your own. Of course, you may not work together on any quizzes or exams. Please familiarize yourself with the “Academic Integrity” Section of the Boston College Catalog (35-36) or online at <http://www.bc.edu/integrity>.

Accommodations for Disability:

If you have a disability and will be requesting accommodations for this course, please register with either Kathy Duggan (kathleen.duggan@bc.edu), Associate Director, Academic Support Services, the Connors Family Learning Center (learning disabilities and

ADHD) or Suzy Conway (suzy.conway@bc.edu), Assistant Dean for Students with Disabilities (all other disabilities). Advance notice and appropriate documentation are required for accommodations.

Grading:

- 1) Aplia Problem Sets: 15%
- 2) Attendance & Experiments: 25% (see breakdown)
 - a. Warm-up Exercises: 5%
 - b. Experiment (Participation): 5%
 - c. Experimental Earnings (Success): 5%
 - d. Lab Reports/Homework: 10%
- 3) Quizzes: 5%
- 4) Midterm Exam 1: 15%
- 5) Midterm Exam 2: 15%
- 6) Comprehensive Final Exam: 25%

There may be opportunities for extra credit. You will be informed of these in advance.

Important Policies:

- 1) *Attendance:* You clearly have a strong incentive to come to class. Missing an experiment will mean that you will lose any opportunity to do work for that experiment. I expect there to be about 10 experiments over the course of the semester, and so missing an experiment will mean you can lose as much as 2% of your final grade. **N.B. On days we do experiments, it is extremely important to show up on time. If you are not present in class at the beginning of the experiment, which I shall begin promptly, you will not be allowed to participate.**
- 2) *Late work:* No late work will be accepted. Anything turned in after the specified deadline will receive a zero grade.
- 3) *Missed exams:* I will not give any makeup exams. If you miss a midterm, your final exam score will be used as your score on the midterm. If you miss more than one exam, then you will receive a zero on that additionally missed exam. If you do not take the final exam, you will receive a score of zero for it.

Aplia Problem Sets:

There will be weekly problem sets on the Aplia website. Each problem set is awarded a different number of points on the website, but I will normalize the score of each problem set so that your final problem set grade will be an equally-weighted average of your performance. The two lowest problem set grades will be dropped before computing your final problem set grade.

Experiments:

Your grade for each experiment consists of four components. Prior to a class period with an experiment, you must read the instructions about the experiment in your lab manual and do the warm-up exercise, which you will turn in at the beginning of the class period of the experiment, prior to the experiment starting. Your lowest warm-up exercise grade will be dropped. You cannot turn in a warm-up exercise without participating as well.

Participating in the experiment will give you full credit for the participation component. Your lowest participation grade will be dropped.

Experiments simulate various trading or strategic situations, and there will be participants who do well and those who don't. To give you an incentive to treat the experiments seriously and try to do well, part of your grade for the section in experiments depends on your performance. Over the course of the semester, you will accumulate earnings from your performance in the experiments. At the end of the semester, after all experiments have been completed, your lowest earnings performance will be dropped. Then, I will compute the average earnings for each person, and award final grades as follows:

Percentile	Points
Top 20%	5
Bottom 10%	1.5
Otherwise	$1.5 + 3.5 * \frac{(\text{earnings} - 10^{\text{th}} \text{percentile earnings})}{(80^{\text{th}} \text{percentile} - 10^{\text{th}} \text{percentile earnings})}$

The data and results of each experiment will be given to you in an Excel file. You will use these data to fill in your lab report and do the homework for the experiment in the lab manual. You may tear out the sheets of the manual to submit the work, or you may photocopy and turn them in. The homework will help you understand the results of the experiment and integrate the economic concepts with the observations. Generally, you will have a week from the experiment to submit the results.

Quizzes:

Every week or so, I will give a short quiz (about 5 -7 minutes long) on the assigned reading (or some other reading I handed out in the previous lecture). The quizzes will have short-response or multiple-choice questions. I may or may not announce in the previous class that a quiz will be administered. Your two lowest quiz scores will be dropped when computing your final quiz grade.

Midterms:

Each of the in-class midterms will cover the material from the prior exam (if applicable) to the last lecture before the exam date. Pay attention to the policy about missed exams above.

Final:

The comprehensive final exam will be administered on December 7, 2009 from 6:30pm to 8:30pm, in the usual classroom. Pay attention to the policy about missed exams above.

Tips for Success:

- 1) Keep up with the reading. Economics is not a subject that is amenable to cramming. It is a way of understanding the world that takes practice to master. You will also get the most out of classroom activities (lectures and experiments) if you already have some idea about the topic of the day.
- 2) It is not far-fetched to say that this course is like a language course – you will be taught a number of terms and concepts associated with these terms (in the Frank, Bernanke textbook they are usually in boldface when first introduced). As the

- semester progresses you will be expected to understand exactly what these terms mean. Practicing defining them as a method of studying for the course.
- 3) Ask questions. Students do not do this enough, which is unfortunate, because questions (and the answers to them) are public goods, and therefore under-provisioned. The process of thinking of your question and asking it will help you know what you don't understand, which is just as important as knowing what you do understand.
 - 4) You never truly understand something if you cannot explain it to someone else. Make some friends amongst your classmates and help each other understand and explain economic concepts. Collaborative learning is not for everyone, but most people do benefit from having a sounding board. The warm-up exercises, lab reports, and homework can be discussed, but remember discussion does not mean copying the solutions of another person. I assure you that exams will feature similar questions, and you are not doing yourself a favor copying homework; you will find it quite difficult to do the same on the exam.
 - 5) If you find you are struggling with some aspect of the course, or with keeping up with the work, don't delay in paying me a visit. We can talk about ways to help you manage your workload and improve your performance. The longer you wait, the more difficult it will be to make a change.

Topics:

- 1) Introduction of Economics: Methodology, History, the Big Questions
- 2) Comparative Advantage and International Trade
- 3) Markets: Supply and Demand, Prices and Quantities
- 4) Elasticity of Demand and Supply
- 5) Determinants of Demand: Utility Theory
- 6) Determinants of Supply: Perfect Competition
- 7) Perfectly Competitive Markets: Efficiency and Policy
- 8) Other Market Structures: Monopoly, Monopolistic Competition, Oligopoly
- 9) Game Theory: Strategically Interdependent Behavior
- 10) Policy in a World without Perfect Competition
- 11) The Limitations of Markets: Public Goods and Externalities
- 12) The Economics of Information
- 13) Labor Markets and the Distribution of Income
- 14) Environmental Economics
- 15) Auctions and Market Design: Engineering a Better World