Hill College
P.O. Box 619
Hillsboro, Texas 76645

COURSE SYLLABUS

<table>
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<th>Course Prefix and Number</th>
<th>Course Title</th>
<th>Date: JANUARY 2010</th>
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<tr>
<td>ECON 2302</td>
<td>PRINCIPLES OF MICROECONOMICS</td>
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Prepared by: T. SMITH

Approved by:
Division Chair

Approved by:
Vice President of Instruction

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Catalog Description:

ECON 2302 PRINCIPLES OF MICRO-ECONOMICS

A study of micro-economic principles including price theory, analysis of the firm, competition and monopoly, distribution of income and international trade and finance.

Lecture Hours: 3    Lab Hours: 0    Semester Credit Hours: 3

Prerequisites:

None

Introduction and Purpose:

Economics is the study of how scarce resources are allocated among unlimited wants. According to the Economist's Dictionary of Economics, microeconomics is "The study of economics at the level of individual consumers, groups of consumers, or firms... The general concern of microeconomics is the efficient allocation of scarce resources between alternative uses but more specifically it involves the determination of price through the optimizing behaviour of economic agents, with consumers maximizing utility and firms maximizing profit." This knowledge will allow the student to better understand why firms and consumers behave the way they do.

Instructional Materials:

Textbooks:   Economics Today by Miller; Addison Wesley 15th Ed.

Supplies:    Pencils and paper

Objectives:

At the completion of this course the student should be able to:

1. Discuss the difference between microeconomics and macroeconomics.
2. Evaluate the role that rational self-interest plays in economic analysis.
3. Distinguish between positive and normative economics.
4. Evaluate whether even affluent people face the problem of scarcity.
5. Explain why the scarcity problem induces individuals to consider opportunity costs.
6. Discuss why obtaining increasing increments of any particular good typically entails giving up more and more units of other goods.

7. Distinguish between absolute and comparative advantage.

8. Explain the law of demand and the law of supply.

9. Discuss the difference between money prices and relative prices.

10. Distinguish between changes in demand (supply) and changes in quantity demanded (supplied).

11. Understand how the interaction of the demand for and the supply of a commodity determines the market price of the commodity and the equilibrium quantity of the commodity that is produced and consumed.

12. Discuss the essential features of the price system.

13. Evaluate the effects of changes in demand and supply on the market price and equilibrium quantity.

14. Understand the rationing function of prices.

15. Describe various types of government-imposed quantity restrictions on markets.

16. Explain how market failures such as externalities might justify economic functions of government.

17. Distinguish between private goods and public goods and explain the nature of the free-rider problem.

18. Describe political functions of government that entail its involvement in the economy.

19. Discuss the central elements of the theory of public choice.

20. Express and calculate price elasticity of demand.

21. Understand the relationship between the price elasticity of demand and total revenues.

22. Discuss the factors that determine the price elasticity of demand.

23. Describe the cross price elasticity of demand and how it may be used to indicate whether two goods are substitutes or complements.

24. Explain the income elasticity of demand.
25. Classify supply elasticities and explain how the length of time for adjustment affects the price elasticity of supply.

26. Distinguish between total utility and marginal utility.

27. Discuss why marginal utility first rises but ultimately tends to decline as a person consumes more of a good or service.

28. Describe the substitution effect of a price change on the quantity demanded of a good or service.

29. Understand how the real-income effect of a price change affects the quantity demanded or a good or service.

30. Understand the concept of economic rent.

31. Explain the difference between accounting profits and economic profits.

32. Discuss how the interest rate performs a key role in allocating resources.

33. Identify the three main sources of corporate funds and differentiate between stocks and bonds.

34. Discuss the difference between the short run and the long run from the perspective of a firm.

35. Understand why the marginal physical product of labor eventually declines as more units of labor are employed.

36. Explain the short-run cost curves a typical firm faces.

37. Describe the long-run cost curves a typical firm faces.

38. Identify situations of economies and diseconomies of scale and define a firm’s minimum efficient scale.

39. Identify the characteristics of a perfectly competitive market structure.

40. Discuss the process by which a perfectly competitive firm decides how much output to produce.

41. Understand how the short-run supply curve for a perfectly competitive firm is determined.

42. Explain how the equilibrium price is determined in a perfectly competitive market.
43. Describe what factors induce firms to enter or exit a perfectly competitive industry.

44. Identify situations that can give rise to monopoly.

45. Describe the demand and marginal revenue conditions a monopolist faces.

46. Discuss how a monopolist determines how much output to produce and what price to charge.

47. Evaluate the profits earned by a monopolist.

48. Understand price discrimination.

49. Discuss the key characteristics of a monopolistically competitive industry.

50. Contrast the output and pricing decisions of monopolistically competitive firms with those of perfectly competitive firms.

51. Explain why brand names and advertising are important features of monopolistically competitive industries.

52. Outline the fundamental characteristics of oligopoly.

53. Understand how to apply game theory to evaluate the pricing strategies of oligopolistic firms.

54. Distinguish between economic regulation and social regulation.

55. Recognize the practical difficulties in regulating the prices charged by natural monopolies.

56. Discuss basic issues in enforcing antitrust laws.

57. Understand why a firm’s marginal revenue product curve is its labor demand curve.

58. Explain in what sense the demand for labor is a “derived” demand.

59. Identify the key factors influencing the elasticity of demand for inputs.

60. Describe how equilibrium wage rates are determined for perfectly competitive firms.

61. Discuss the current status of labor unions.

62. Describe the basic economic goals and strategies of labor unions.

63. Describe how to use a Lorenz curve to represent a nation’s income distribution.
64. Identify the key determinants of income differences across individuals.

65. Discuss theories of desired income distribution.

66. Distinguish among alternative approaches to measuring and addressing poverty.

67. Recognize the major reasons for rising health care costs.

68. Distinguish between private costs and social costs.

69. Understand market externalities and possible ways to correct externalities.

70. Explain how economists can conceptually determine the optimal quantity of pollution.

71. Discuss how the assignment of property rights may influence the fates of endangered species.

The students' success in completing these objectives will be measured using a set of examinations and assignments described, in detail under the section of this syllabus headed “Method of Evaluation”.

Methods of Instruction:

This course will be taught using the traditional lecture with a question and answer period daily.

Audio-visual materials and computer based technology will be used when appropriate.

Methods of Evaluation:

There will be at least two major exams. These exams will comprise at least 30% of the final grade. There may be more than two major exams and these exams may comprise more than 30% of the final grade. One of the major exams will be a comprehensive final which will be at least 15% of the final grade. Quizzes, homework assignments, and chapter questions will make up the rest of the final grade.

Letter grades for the course will be based on the following percentages:

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<thead>
<tr>
<th>Percentage</th>
<th>Grade</th>
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<tbody>
<tr>
<td>90-100%</td>
<td>A</td>
</tr>
<tr>
<td>80-89%</td>
<td>B</td>
</tr>
<tr>
<td>70-79%</td>
<td>C</td>
</tr>
<tr>
<td>60-69%</td>
<td>D</td>
</tr>
<tr>
<td>Below 60%</td>
<td>F</td>
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Course Outline:

Class policies:

Regular attendance at all class meetings is expected. Internet assignments will be submitted by the date and time indicated. The Hill College attendance policy will be rigorously enforced. Disruptions in class will not be tolerated.

Topic Outline

I. The Nature of Economics
   A. The Power of Economic Analysis
   B. Defining Economics
   C. Microeconomics versus Macroeconomics
   D. The Economic Person: Rational Self-Interest
   E. Economics as a Science
   F. Positive versus Normative Economics

II. Scarcity and the World of Trade-Offs
   A. Scarcity
   B. Wants and Needs
   C. Scarcity, Choice, and Opportunity Costs
   D. The World of Trade-Offs
   E. Economic Growth and the Production Possibilities Curve
   F. The Trade-Off between the Present and the Future
   G. Specialization and Greater Productivity
   H. Comparative Advantage and Trade among Nations

III. Demand and Supply
   A. Demand
   B. The Demand Schedule
   C. Shifts in Demand
   D. The Law of Supply
   E. The Supply Schedule
   F. Shifts in Supply
   G. Putting Demand and Supply Together

IV. Extensions of Demand Supply Analysis
   A. The Price System and Markets
   B. Changes in Demand and Supply
   C. The Rationing Function of Prices
   D. The Policy of Government-Imposed Price Controls
V. Public Spending and Public Choice
   A. What a Price System Can and Cannot Do
   B. Correcting for Externalities
   C. The Other Economic Functions of Government
   D. The Political Functions of Government
   E. Public Spending and Transfer Programs
   F. Collective Decision Making: The Theory of Public Choice

VI. Demand and Supply Elasticity
   A. Price Elasticity
   B. Price elasticity Ranges
   C. Elasticity and Total Revenues
   D. Determinants of the Price Elasticity of Demand
   E. Cross Price Elasticity of Demand
   F. Income Elasticity of Demand
   G. Price Elasticity of Supply

VII. Consumer Choice
   A. Utility Theory
   B. Graphical Analysis
   C. Diminishing Marginal Utility
   D. Optimizing Consumption Choices
   E. How a Price Change Affects consumer Optimum
   F. The Demand Curve Revisited
   G. Behavioral Economics and Consumer Choice Theory

VIII. Rents, Profits, and the Financial Environment of Business
   A. Economic Rent
   B. Firms and Profits
   C. Interest
   D. Corporate Financing Methods
   E. The Markets for Stocks and Bonds

IX. The Firm: Cost and Output Determination.
   A. Short Run versus Long Run
   B. The Relationship between Output and Inputs
   C. Diminishing Marginal Product
   D. Short-Run Costs to the Firm
   E. The Relationship between Diminishing Marginal Product and Cost Curves
   F. Long-Run Cost Curves
   G. Why the Long-Run Average Cost Curve is U-Shaped
   H. Minimum Efficient Scale
X.  Perfect Competition
   A.  Characteristics of a Perfectly Competitive Market Structure
   B.  The Demand Curve of the Perfect Competitor
   C.  How much should the Perfect Competitor Produce?
   D.  Using Marginal Analysis to Determine the Profit-Maximizing Rate of Production
   E.  Short-Run Profits
   F.  The Short-Run Break-Even Price and the Short-Run Shutdown Price
   G.  Price Determination under Perfect Competition
   H.  The Long-Run Industry Situation:  Exit and Entry
   I.  Long-Run Equilibrium
   J.  Competitive Pricing:  Marginal Cost Pricing

XI. Monopoly
    A.  Definition of a Monopolist
    B.  Barriers to Entry
    C.  The Demand Curve a Monopolist Faces
    D.  Elasticity and Monopoly
    E.  Costs and Monopoly Profit Maximization
    F.  Calculating Monopoly Profit
    G.  On making Higher Profits:  Price Discrimination
    H.  The Social Cost of Monopolies

XII. Monopolistic Competition
     A.  Monopolistic Competition
     B.  Price and Output for the Monopolistic Competitor
     C.  Comparing Perfect Competition with Monopolistic Competition
     D.  Brand Names and Advertising
     E.  Information Products and Monopolistic Competition

XIII. Oligopoly and Strategic Behavior
      A.  Oligopoly
      B.  Strategic Behavior and Game Theory
      C.  The Cooperative Game:  A Collusive Cartel
      D.  Network Effects
      E.  Product Compatibility in Multiproduct Oligopolies Facing Network Effects
      F.  Comparing Market Structures

XIV. Regulation and Antitrust Policy in a Globalized Economy
     A.  Forms of Industry Regulation
     B.  Regulating Natural Monopolies
     C.  Regulating Nonmonopolistic Industries
     D.  Incentives and Costs of Regulation
     E.  Antitrust Policy
     F.  Antitrust Enforcement
XV. The Labor Market: Demand, Supply, and Outsourcing
   A. Labor Demand for a Perfectly Competitive Firm
   B. The Market Demand for Labor
   C. Wage Determination in a Perfectly Competitive Labor Market
   D. Labor Outsourcing, Wages, and Employment
   E. Monopoly in the Product Market
   F. The Utilization of Other Factors of Production

XVI. Unions and Labor Market Monopoly Power
   A. Industrialization and Labor Unions
   B. Union goals and Strategies
   C. Economic Effects of Labor Unions
   D. Monopsony: A Buyer’s Monopoly

XVII. Income, Poverty, and Health Care
   A. Income
   B. Determinants of Income Differences
   C. Theories of Desired Income Distribution
   D. Poverty and Attempts to Eliminate It
   E. Health Care

XVIII. Environmental Economics
   A. Private versus Social Costs
   B. Correcting for Externalities
   C. Pollution
   D. Common Property
   E. Reducing Humanity’s Carbon Footprint: Restraining Pollution-Causing Activities
   F. Wild species, Common Property, and Trade-Offs

XIX. Exchange Rates and the Balance of Payments
   A. The Balance of Payments and International Capital Movements
   B. Determining Foreign Exchange Rates
   C. The Gold Standard and the International Monetary Fund
   D. Fixed versus Floating Exchange Rates
Bibliography:


Krugman/Wells; *Economics* (2nd ed.). Worth 2009.