Principles of Microeconomics

ECON 111(1); Fall 2020

# Scott Wallace

Mondays and Wednesdays, 9:30 AM – 10:45 AM

Classroom: DUC 112 (Encore Room)

**Zoom Office Hours: T & Th, 10:00 – 11:00 AM**

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**About the Course.**

The economic problem of scarcity forces people to make choices. This course analyzes the choices economic actors make within individual markets in the economy and how those choices affect market outcomes. More specifically, we will examine the interactions of firms and households to determine their effects on variables like price, output, and profit. In doing so, the course emphasizes the economic way of thinking. Economists have a unique view of the world; it is important (and useful) for students to understand the intuition behind economic analysis. Economists also use a variety of theoretical tools in studying behavior. Graphs will be employed often in this class. To be successful, students will need to be able to apply economic intuition and theoretical tools in critically analyzing problems.

**Course Format.**

The course will be taught in a hybrid format that combines face-to-face sessions and asynchronous lectures using recorded PowerPoint presentations. Assignments will consist of weekly quizzes and exams, all of which will be completed on-line.

The class essentially follows the “flipped classroom” model in which students are expected to complete the assigned readings from the textbook and watch the recorded PowerPoint lectures before attending class sessions. Class sessions focus on review of class material and in-class exercises. Students are assigned to a cohort group which will meet once, either Monday or Wednesday, each week.

More specific information regarding cohorts, course learning material, and course assignments can be found on the course Canvas website and in the course schedule document.

If you are uncomfortable attending in-class sessions because of the Covid-19 situation, please let me know. You can take this course on a purely online basis. In learning the course material, you can watch asynchronous lectures presented in record PowerPoints at your discretion. All graded assignments, namely quizzes and exams, are taken online. While there is some review of content provided in the in-class sessions, the in-class sessions are mainly designed to provide additional practice to students in the form of in-class exercises. I will make these exercises available on Canvas along with the correct answers so you will be able to self-test.

**Covid-19 Precautions.**

We are living in extraordinarily dangerous times and need to be vigilant in our efforts in preventing the spread of this deadly virus. Please carefully read the protocols and requirements listed on the next page.

*Face Coverings:*

* At all UW-Stevens Point campus locations, the wearing of face coverings is mandatory in all buildings, including classrooms, laboratories, studios, and other instructional spaces. Any student with a condition that impacts their use of a face covering should contact the [Disability and Assistive Technology Center](https://www3.uwsp.edu/datc/Pages/default.aspx) to discuss accommodations in classes. Please note that unless everyone is wearing a face covering, in-person classes cannot take place. This is university policy and not up to the discretion of individual instructors. Failure to adhere to this requirement could result in formal withdrawal from the course.

*Other Guidance:*

* Please monitor your own health each day using [this screening tool](https://www3.uwsp.edu/C19DailyScreening). If you are not feeling well or believe you have been exposed to COVID-19, do not come to class; email your instructor and contact Student Health Service (715-346-4646).
	+ As with any type of absence, students are expected to communicate their need to be absent and complete the course requirements as outlined in the syllabus.
* Maintain a minimum of 6 feet of physical distance from others whenever possible.
* Do not congregate in groups before or after class; stagger your arrival and departure from the classroom, lab, or meeting room.
* Wash your hands or use appropriate hand sanitizer regularly and avoid touching your face.

Please maintain these same healthy practices outside the classroom

**SBE Mission and Learning Objectives.**

**Mission:**

The UW-Stevens Point School of Business and Economics creates career ready graduates and leaders through applied learning. We serve the businesses, economy, and people of the greater Central Wisconsin region. We specialize in preparing students for success by providing professional development experiences, access to employers, and in-demand skills.

**SBE Core Values:**

* **Talent development:** We supply the regional workforce by providing an applied business curriculum to current and new student populations.
* **Lifelong learning:** We teach students to pursue learning agility and ongoing mastery of in-demand skills.
* **Career preparation**: We cultivate professional development experiences for our students.
* **On the job experiences:** We extend student access to employers in Central Wisconsin and beyond.
* **Community outreach:** We educate students and the local community on current business and economic issues.
* **Regional partnerships:** We foster relationships with local business and community leaders to enrich the educational experience for students.
* **Continuous improvement:** We follow AACSB accreditation guidelines and cultivate resources to broaden and deepen our impact.

**Syllabus Statement:**

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| --- | --- |
| **SBE Mission:**  | The UW-Stevens Point School of Business and Economics creates career ready graduates and leaders through applied learning. We serve the businesses, economy, and people of the greater Central Wisconsin region. We specialize in preparing students for success by providing professional development experiences, access to employers, and in-demand skills. The SBE achieves its mission by valuing:* Talent development
* Lifelong learning
* Career preparation
* On the job experiences
* Community outreach
* Regional partnerships
* Continuous improvement
 |
| **Accreditation Commitment:** | SBE is accredited by the Association to Advance Collegiate Schools of Business (AACSB), a designation earned by only 5 percent of world business schools. Accreditation instills a culture of continuously improving our programs through connections with local business leaders, alumni and the community. |

**Program Learning Outcomes:**

* **AACSB - SBE Common Core:**
	+ Students will be able to apply core concepts, models and methods from business, accounting and economics in identifying and solving problems.
* **Social Science Economics:**
	+ Students will be able to define economic terminology appropriately.
	+ Students will be able to perform common economic measurements and identify their limitations.
	+ Students will be able to use economic models to identify equilibrium outcomes and perform comparative statics
* **General Education Program - Social Sciences**
	+ SS LO1: Explain or apply major concepts, methods, or theories used in social sciences to investigate, analyze, or predict human behavior.
	+ SS LO2: Examine and explain how social, cultural, or political institutions influence individuals or groups.

**Course Outcomes:** After completing the course students should be able to:

* Define microeconomic terms and concepts.
* Perform and use microeconomic measurements to analyze rational decision making.
* Solve utility and profit maximization problems using basic mathematical and graphical tools.
* Describe how equilibrium outcomes are influenced by changing market, social, and government forces.

Achievement of the above learning objectives are assessed at the end of the course using a set of questions on the final exam. The School of Business & Economics periodically aggregates and analyzes the data as part of a continuous effort to improve our programs.

**Course Requirements.**

Your grade will consist of the following components:

 Quizzes: 15% Most Weeks

 First Exam: 25% Friday, October 9th

 Second Exam: 30% Friday, November 13th

Final Exam: 30% To Be Determined

*On-line Exams:* Exams will consist of 50 multiple-choice questions. Exams will stress comprehension (not memorization) of the course material. I do not give make-up exams. Only under extraordinary circumstances will I excuse a student from taking an exam. You will need my prior consent and proof of the relevant circumstances to be excused. If you do miss an exam (legitimately), I will reallocate the weight of the missed exam onto the final exam. Each exam is cumulative in nature, containing questions that cover material from earlier parts of the course. The final exam will be cumulative; it will include questions that directly assess the learning objectives listed above.

You will need to complete the exam online during the assigned day. Once you start the exam, you will need to complete the exam within 90 minutes. You are fully expected to work alone when taking exams.

*On-line Quizzes:* On-lineQuizzes will consist of ten multiple choice questions, designed to assess student comprehension of core content. In addition to the grade component, these quizzes provide valuable practice for the exams. The form and content of the quiz questions will be similar to the questions you will receive on the exams. No make-up quizzes will be given. In lieu of make-ups, I will drop your two lowest quiz scores in calculating your final quiz average. While there is no time limit, you will need to complete the quiz on-line in Canvas by the deadline.

Your final grade will be based upon the calculation of your final grade average based upon the weights assigned to quizzes and exams.

A 92.5+

 A- 90.0-92.4

 B+ 87.5-89.9

 B 82.5–87.4

 B- 80.0-82.4

 C+ 77.5-79.9

 C 70.0-77.4

 C- 65.0-69.9

 D+ 60.0-64.9

 D 55.0-59.9

 F Below 55

**Course Materials and Resources.**

The following text should be available in the campus bookstore.

Krugman & Wells’ *Microeconomics in Modules*, Fourth Edition, USA: Worth Publishers, 2019.

 All course readings will come from the textbook. In addition to content, *Microeconomics in Modules* contains *Check-Your-Understanding-Questions* which provide valuable practice that will help you learn the material. These questions have answers at the back of the book. I will provide recommendations regarding which questions are most valuable. You can find these recommendations in Canvas

The *Study Guide Questions* will give you more practice as well. These questions will give you additional multiple-choice questions with each mapping to the same material as provided in the quizzes. For example, *Study Guide One* will cover the same content that *Quiz One* covers, and so on. The answers to these multiple-choice questions are given on the last page of each document. You can also find the *Study Guide Questions* in Canvas.

During class sessions, you will be working on *In-Class Exercises* that will help you in learning the material. I will also make these *In-Class Exercises* available on-line with answers for those students who miss a class session or may be uncomfortable attending sessions because of the Covid-19 situation.

**Course Outline and Reading Assignments.**

***Part One: Introduction to Microeconomics***

1. **Economic Principles (Week One)**
	1. Introduction: Module 1, pp. 4 - 7.
		1. The Market Economy, the Invisible Hand, and Microeconomics.
		2. Market Failure
		3. Macroeconomics
	2. Core Principles – Individual Choice: Module 1, pp. 7 – 11.
		1. Scarcity, Choice, and Opportunity Cost
		2. “How Much” Decisions are Made at the Margin
		3. People Respond to Incentives
	3. Core Principles – Economic Interaction: Module 1, pp. 12 – 16
		1. Specialization and the Gains from Trade
		2. Markets and Equilibrium
		3. Markets and Efficient Use of Resources
2. **The Market System: Supply and Demand (Weeks Two & Three)**
	1. Background: Module 4, pp. 33 - 35 and Module 5, p. 59 - 61.
		1. Product and Factor Markets
		2. Circular Flow of Market Activity
		3. Supply and Demand: A Model of a Competitive Market
	2. The Demand Side of the Market: Module 5, pp. 61 - 70.
		1. The Demand Schedule and the Demand Curve
		2. Shifts of the Demand Curve vs. Movements Along the Demand Curve
		3. Factors that Shift the Demand Curve
	3. The Supply Side of the Market: Module 6, pp. 71 – 77.
		1. The Supply Schedule and the Supply Curve
		2. Shifts of the Supply Curve vs. Movements Along the Supply Curve
		3. Factors that Shift the Supply Curve
	4. Supply, Demand, and Equilibrium: Module 6, pp. 78 -82.
		1. Finding Equilibrium Price and Quantity
		2. Eliminating Surpluses and Shortages
	5. Changes in Equilibrium: Module 7, pp. 83 – 89.
		1. Effects of Changes in Demand on Equilibrium
		2. Effects of Changes in Supply on Equilibrium
3. **Consumer and Producer Surplus (Weeks Three & Four)**
	1. Consumer Surplus and the Demand Curve: Module 8, pp. 96 – 102.
		1. Willingness to Pay and Consumer Surplus
		2. Willingness to Pay and the Demand Curve
		3. Changing Prices and Consumer Surplus
	2. Producer Surplus and the Supply Curve: Module 8, pp. 102 – 107.
		1. Cost and Producer Surplus
		2. Cost and the Supply Curve
		3. Changing Prices and Producer Surplus
	3. Efficiency and Markets: Module 9, pp. 108 – 117.
		1. Total Surplus and the Gains from Trade
		2. The Efficiency of Markets
	4. Evaluating Government Price Controls: Module 10, pp. 118 – 125.
		1. Why Government Controls Prices
		2. Price Ceilings and Economic Inefficiency
4. **Elasticity (Weeks Five & Six)**

* 1. Introduction: Module 11, p. 141.

* 1. The Price Elasticity of Demand: Modules 11 & 12, pp. 142 – 149.
		1. Definition
		2. Categories of the Price Elasticity of Demand
		3. Calculating the Price Elasticity of Demand: The Midpoint Method
	2. Interpreting the Price Elasticity of Demand, Module 12, pp. 149 – 152.
		1. Polar Cases: Perfectly Elastic and Perfectly Inelastic Demand
		2. The Price Effect and the Quantity Effect of a Price Change
		3. Price Changes, Elasticity, and Effect on Total Revenue
		4. Changes in Elasticity along a Linear Demand Curve
	3. Factors that Determine Price Elasticity of Demand: Module 12, pp. 152 - 156.
		1. The Availability of Close Substitutes
		2. Luxuries vs. Necessities
		3. Share of Income Spent on the Good
		4. Time Elapsed Since the Price Change

***Part Two: Economics of Decision-Making - Consumers and Firms***

1. **The Rational Consumer (Weeks Seven and Eight)**
2. Maximizing Utility: Module 19, pp. 238 – 241.
3. Utility and Consumption
4. The Principle of Diminishing Marginal Utility
5. Budgets and Optimal Consumption: Module 19, pp. 241 – 245.
6. Budget Constraints and Budget Lines
7. Optimal Consumption Choice
8. Spending the Marginal Dollar: Module 19, pp. 245 – 248.
9. Marginal Utility per Dollar
10. Utility Maximization and Equal Marginal Utility Per Dollar Principle
11. From Utility to the Demand Curve: Module 19, pp. 248 – 252.
12. The Law of Demand and the Substitution Effect of a Price Change
13. The Law of Demand and the Income Effect of a Price Change
14. From Individual Demand to Market Demand
15. **Firm Decision-making: Profits and Production (Week Nine)**
16. Making Decisions: Costs, Benefits, and Profits: Module 17, pp. 220 – 231.
17. Explicit vs. Implicit Costs
18. Accounting Profit vs. Economic Profit
19. Making “Either- Or” Decisions
20. Making “How Much” Decisions – The Role of Marginal Analysis
21. Sunk Costs: Module 17, pp. 231 - 232.
22. Production in the Short Run: Module 20, pp. 262 – 267.
23. The Production Function
24. Fixed and Variable Inputs
25. Total Product and Marginal Product
26. Increasing and Diminishing Marginal Returns to an Input
27. **Firm Decision-making: Costs of Production (Weeks Ten & Eleven)**
28. Costs in the Short Run: Module 21, pp. 268 – 277.
29. Variable Cost, Fixed Cost, and Total Cost
30. Marginal Cost
31. Average Variable Cost, Average Total Cost, and Average Fixed Cost
32. Costs in the Long Run: Module 22, pp. 278 - 284.
33. Short-Run vs. Long-Run Costs
34. Increasing Returns to Scale
35. Constant Returns to Scale
36. Decreasing Returns to Scale

***Part Three: Market Structure***

1. **Firms in Perfectly Competitive Markets (Weeks Twelve & Thirteen)**
2. Perfect Competition: Module 23, pp. 292 - 295
3. Types of Market Structures
4. Defining Perfect Competition
5. Conditions of Perfectly Competitive Markets
6. Production and Profits in the Short-Run: Modules 24 & 25, pp. 303 - 314
7. Marginal Analysis and Profit Maximization
8. Economic Profit in the Short-Run
9. Minimizing Short-Run Losses
10. Summary of Short-Run Production Decisions
11. The Short-Run Industry Supply Curve
12. Perfect Competition in the Long-Run: Modules 25 & 26, pp. 314 - 324.
13. The Long Run: Changing Fixed Cost, Entry, and Exit
14. The Long-Run Industry Supply Curve
15. The Cost of Production and Efficiency in Long-Run Equilibrium
16. **Monopoly (Week Fourteen)**
17. Meaning of Monopoly: Module 23, pp. 295 - 298.
18. Defining Monopoly
19. Why Monopolies Exist
20. Monopoly in Practices: Module 27, pp. 332 - 339
21. The Monopolist’s Demand and Marginal Revenue Curve
22. The Monopolist’s Profit-Maximizing Output and Price
23. Monopoly vs. Perfect Competition
24. Monopoly: The General Picture
25. Welfare Effects of Monopoly: Module 28, pp. 340 – 341.
26. Consumer and Producer Surplus Under Perfect Competition
27. Consumer Surplus, Producer Surplus, and Deadweight Loss Under Monopoly