

Penn State Brandywine—Economics Department
(Division of Business and Economics)

Course: Introductory Microeconomic Analysis and Policy (**Econ 2 & 2H**)

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11:30am-12:55pm (TR)

2:30 pm-3:30 pm (TR);

Or by appointment

COURSE OVERVIEW:

Microeconomic theory or price theory, studies the economic behavior of individual decision-making units such as consumers, resource owners, and business firms in a free-enterprise economy. Microeconomic theory is perhaps the most important course in all economics and business programs. It provides the tools for understanding how the U.S. economy and most other economies operate. That is, microeconomic theory can help us answer such questions as why if society spends more on defense it may have to accept less public housing; why the price of housing has risen sharply in recent years; why the price of beef is higher than the price of chicken; why physicians earn more than cab drivers and college professors. These are only a few of the important questions that microeconomic theory helps us to answer.

More generally, microeconomic theory examines how a consumer spends his or her income to maximize satisfaction, how a firm combines resources to maximize profits, how a particular form of market structure (perfect competition, monopoly, monopolistic competition, and oligopoly) arises and how each affect the well-being of society, how the pricing and employment of resources or inputs are determined, and how government can increase the well-being of society by taxes and subsidies. Sure these are important questions.

COURSE OBJECTIVES

This course is aimed at providing students with a clear understanding of how microeconomic theory is used to answer some of the questions outlined above. The course also places emphasis on the application of some of the microeconomic concepts that will be discussed in class.

The course is divided into eleven broad topics. The first two chapters of the textbook (Parts A & B) deal with some basic concepts in economics such as definition and importance of economics, methodology in economics, assumptions, the idea of efficiency along with production possibilities curve, and the market systems. Part C discusses the concept of demand and supply and how consumers and producers interact to determine the equilibrium price in a competitive product market. In chapter four (Part D) provides descriptive details about both the private sector (households and businesses) and the public sector (government) as the primary decision makers in our market economy. Part E discusses the extent to which consumers and producers respond to changes in market prices. In particular, we will examine the responsiveness of demand and supply to changes in product prices. Part F introduces the theory of consumer behavior. Part G presents the theory of production and cost. We will examine how firms combine resources or inputs to produce final commodities. In the next three chapters (9-11) or Part H, we will also examine the four market structures—different types of firms in the U.S. economy. In this part, we will bring together the theory of consumer behavior and demand from part F and the theory of production and cost to analyze how price and output are determined under the four market structures. In parts I and J, we will examine how input (such as labor or workers and machines) prices and the levels of employment of inputs are determined in a competitive resource markets. The last Part K consists of some selected topics related to important economic issues and policies in the U.S.A.

TEXTBOOK:

1. McConnell & Brue, *Microeconomics* (17th edition), McGraw-Hill Publisher.
2. Study Guide to accompany McConnell & Brue (optional).

TOPICS:

A. Introduction to Economics (ch. 1)

- A.1 What is Economics All About? (Handout)
- A.2 Limits, Alternatives, and Choices.
- A.3 Economizing Problem.
- A.4 Production Possibilities Model.
- A.5 Graphs and Their Meaning.

B. The Market System (ch. 2)

- B.1 The Five Fundamental Questions.
- B.2 The Economic Systems.
- B.3 The Characteristics of the Market System.

- C. Demand and Supply Analysis (ch. 3)
 - C.1 Demand Side of the Market.
 - C.2 Supply Side of the Market.
 - C.3 Market Equilibrium.
 - C.4 Application: Government-Set Prices.

- D. The U.S. Economy: Private and Public Sectors (ch. 4)
 - D.1 Households as Income Receivers.
 - D.2 Households as Income Spenders.
 - D.3 Types of Businesses in U.S.
 - D.4 The Public Sector: Government Role.

- E. Extensions of Demand and Supply (ch. 6)
 - E.1 Price Elasticity of Demand
 - E.2 Price Elasticity of Supply.
 - E.3 Cross Elasticity and Income Elasticity of Demand.
 - E.4 Consumer and Producer Surplus.

- F. Theory of Consumer Behavior (ch. 7).
 - F.1 Utility and the Law of Diminishing Marginal Utility.
 - F.2 Utility Maximization.
 - F.3 Indifference Curve Analysis

- G. The Theory of Production and Cost (ch. 8)
 - G.1 The Concept of Production.
 - G.2 Short-run Versus Long-run.
 - G.3 Short-Run production Relationships.
 - G.4 Different Costs Related to Production.
 - G.5 Short-Run Versus Long-Run Costs.

- H. Market Structures—Types of Firms (chs. 9-11)
 - H.1 Pure Competition (ch. 9).
 - H.2 Pure Monopoly (ch. 10).
 - H.3 Monopolistic Competition and Oligopoly (ch. 11).

- I. Microeconomics of Resource Markets—The Demand for Resources (ch.13)
 - I.1 Demand and Supply of Labor.
 - I.2 Marginal Productivity Theory.

J. Microeconomics of Resource Markets—Wage Determination (ch.14)

J.1 Wage Determination in a Purely Competitive Labor Market.

J.2 Minimum Wage Controversy.

K. Microeconomic Issues and policies (optional) chs 20-22

K.1 Income Inequality and Poverty (ch. 20).

K.2 Topics on Economics of Health (ch. 21).

K.3 Labor Market Issues (ch. 22):

(a) Labor Market Discrimination.

(b) Immigration.

WEEKLY EXERCISES/READINGS:

<u>Date:</u>	<u>Topic</u>	<u>Text chapters</u>
1/17	Introduction to Economics	1 & Appendix to ch. 1
1/31	The Market System & Demand & Supply Analysis	2 & 3
2/7	The U.S. Economy: Private & Public Sectors	4
2/21	Extension of Demand and Supply	6
2/28	Consumer Behavior & Utility Maximization	7
3/13	The Theory of Production & Cost	8
3/27	Pure Competition	9
4/3	Pure Monopoly	10
4/10	Monopolistic Competition	11
4/17	Oligopoly	11
4/24	The Demand for Resources & Wage Determination	13 & 14
5/1	Microeconomic Issues & Policies	20-22

COURSE EVALUATION:

There will be three examinations and assignments (review questions). These assignments which are designed to help students prepare for the examinations will be given to students a week before each examination. There will also be two quizzes administered anytime over the semester. These quizzes may be announced or unannounced in advance and there is no make-up for the quizzes (except with written evidence or informing the instructor ahead of time). Marks will be apportioned as follows:

1st Examination.....	20%
Mid-term Examination.....	20%
Final Examination.....	50%
Two Quizzes.....	10%
Total	100%
*Econ 2H (Honors).....	Paper 15%, Final Exam 35%

EXAMINATION DATES:

<u>1st Review Questions:</u>	February 7	Chapters 1, 2 & 3
<u>1st Exam:</u>	February 14	Chapters 1, 2 & 3
<u>2nd Review Questions:</u>	March 6	Chapters 6, 7 & 8
<u>Midterm Exam:</u>	March 20	Chapters 6, 7 & 8
<u>3rd Review Questions:</u>	April 24	Chapters, 9-11, 13-14 & [20-22--Optional]
<u>Final Exam:</u>	TBA	Chapters, 9-11, 13-14 & [20-22--Optional]

(Exam Week: May 5—May 9)

QUIZ CHAPTERS:

- Quiz # 1: Chapter 4 (date: unannounced)
- Quiz # 2: Chapter 9 (date: unannounced)

TENTATIVE GRADING RANGES:

A = 95-100
A- =90-94
B+ = 85-89
B = 80-84
B- = 77-79
C+ = 74-76
C = 70-73
D = 60-69
F = Below 60

IMPORTANT INFORMATION:

1. Examination, Class Attendance and Class Participation

Students are expected to write class examinations, and final examinations on the scheduled dates. (exceptions may be made only in very exceptional circumstances). Make-up exams will be given only when the absence of the student is due to: (a) Illness, (b) religious observance, (c) participation in the University activities outside the Campus, and (d) other “compelling” circumstances beyond the student’s control. In all cases, the student should provide evidence or a documentary support for his/her claim.

Note: Students are expected to read their textbooks before coming to class. Class participation is highly recommended. Class attendance is very important and will be checked from time to time. Any student who cuts classes or is absent from class without giving a tangible reason (with evidence) to the instructor for more than three times in the semester will have his/her total mark on the course reduced by 10 percent.

2. The University Polices on Academic Dishonesty:

Cheating in this class is defined as in the student handbook and under Rules and Regulations of Penn State Delaware County 2003-2004 handbook. Academic dishonesty includes cribs notes, copying from someone’s examination, unauthorized possession of exams or exam information, or tempering with the academic work of other students. A student who indulges in any form of

academic dishonesty will **fail** the course and the case will be referred to the Campus Committee on Academic Integrity.

3. Students with Disabilities:

Penn State does not tolerate any form of discrimination. Students with disability-related need for this course should contact the Learning Center or the Environmental Assessment Committee for advice. For more information, refer to the nondiscrimination policy in the Student Guide to University Policies and Rules 2002.

4. Conduct in the Classroom:

Students are obliged to conduct themselves in such a manner as to be credit to both themselves and the University. Students are expected to respect other students in the classroom. Any misconduct that affects other students in the classroom and the professor's ability to teach effectively will not be tolerated and such behavior will be reported to the appropriate Committee on Campus for disciplinary action.

Should there be anything that is not clear to you in this course outline, please do feel free to have it clarified or if you have any kind of questions regarding the course, please feel free to ask. Thank you! And good learning!!