PRINCIPLES OF MICROECONOMICS (ECON 2010-300)  
Department of Economics, University of Colorado  
Fall, 2001

M,W,F: 2-2:50pm  
Room: RAMY C250

Professor: Charles de Bartolome  
Recitation instructor: 
Office hours: M 4-5pm, Tu 10-11am, F 1-2pm  
Recitation time:  
Office hours: 
e-mail: debartol@spot.colorado.edu  
Office: 


Course description: Microeconomics is about what goods get produced and sold at what prices. The individual must decide what goods to buy, how much to save and how hard to work. The firm must decide how much to produce and with what technology. The course explores how "the magic of the market" coordinates these decisions. In addition, the course considers such questions as: Why is competition socially desirable? Is competition likely? How do firms behave in the absence of competition?

Course Level: The course is an introductory course. No previous knowledge of economics is assumed. The student is, however, assumed to be able to solve simultaneous equations both graphically and algebraically.

Course assignments: all course assignments are to be located on the course WebCT page located at: http://webct.colorado.edu . The weekly problem-set (which needs to be handed in at the recitation) will be posted on Friday after class.

Grading: There are two midterms, a final exam, two experiments and one data collection exercise. The grade of the student will be determined as: 30% First Midterm, 30% Second Midterm, 30% Final, 10% Experiments.

The data collection exercise is Pass/Fail. If an attempt at the data collection exercise is not handed in by the date due, your course score will be lowered 1%. If the exercise is not passed by the day of the exam, your grade will be considered Incomplete Fail until the exercise is passed.
Attendance at class: Woody Allen once remarked: "90% of life is just turning up". The best way to learn the material is to attend class. Attendance at class is therefore required. If you consistently miss class or recitation, you will be warned. If you continue not to attend after the warning, you fail the course.

Attendance at recitation: attendance at recitation is required. At the recitation, you are required to hand in your answers to the weekly problem-set. If you consistently do not do this or if your answers show no evidence of effort, you will be warned. If you ignore the warning, you fail the course.

Difference with other sections: I expect this section to go slower, cover fewer topics and put more emphasis on analysis than other sections.

Exams: The two midterms will be given in the evening as:

FIRST MIDTERM: Tuesday, 2 October,
in CHEM 140 7:00 - 9:00 p.m.

SECOND MIDTERM: Monday, 5 November
in CHEM 140 7:00 - 9:00 p.m.

The final exam will be held as:

FINAL: Friday, 14 December
in RAMY C250 1:30 - 3:30 p.m.

You are required to take the exam at the above time. Only in compelling circumstances will a make-up exam be given and this must be agreed with me before the scheduled time of the exam. If you fail to take the exam at the scheduled time and fail to discuss the circumstances with me before the exam, you will score 0 in the exam.

You must bring a blue-book to each exam.

Students with Special Needs: I will make all reasonable accommodations for students with documented disabilities. However, you must notify me by Monday 10 September and you must provide documentation of the disability obtained from the Disabilities Services Office located in Willard Hall, Room 322.

Course outline: shown overleaf is a list of topics to be covered and likely dates.
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Chapter</th>
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<tbody>
<tr>
<td>27, 29 Aug</td>
<td>INTRODUCTION - TEN BIG IDEAS</td>
<td>1</td>
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<td></td>
<td>Scarcity.</td>
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<td>Trade-off.</td>
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<td>Opportunity cost.</td>
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<td>31 Aug</td>
<td>THINKING LIKE AN ECONOMIST</td>
<td>2</td>
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<td>Economics as a social science.</td>
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<td>Use of models.</td>
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<td>Production possibility model.</td>
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<td>Circular flow model.</td>
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<td>Positive and normative.</td>
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<td>5, 7 Sept</td>
<td>GAINS FROM TRADE</td>
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<td>Comparative advantage.</td>
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<td>Specialization.</td>
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<td>Mutual gains from trade.</td>
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<td>10, 12, 14, 17 Sept</td>
<td>LAW OF SUPPLY AND DEMAND</td>
<td>4</td>
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<td>Competitive markets.</td>
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<td>Individual and market demand curves.</td>
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<td>Individual and market supply curves.</td>
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<td>Equilibrium: Law of Supply and Demand.</td>
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<td>Shifts in the demand curve: substitutes and complements.</td>
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<td>Shifts in the supply curve.</td>
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<td>Coordinating role of prices.</td>
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<td>19, 21 Sept</td>
<td>APPLICATIONS OF SUPPLY AND DEMAND</td>
<td>6 (pp. 117-128)</td>
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<td></td>
<td>Inelastic = steep, Elastic = flat.</td>
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<td>Price-ceiling and price-floors.</td>
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24, 26, 28 Sept
1 Oct             SOCIAL EVALUATION OF MARKET OUTCOMES
Marginal changes.
Benefit = willingness to pay.
Consumer surplus
Budget line.
Marginal benefit.
Purchase decision rule: “marginal benefit = price” rule
Consumer demand curve = marginal benefit curve.

2 Oct               FIRST MIDTERM (7:00 - 9:00pm)

3 Oct               No class

8, 10, 12, 15, 17 Oct
SOCIAL EVALUATION OF MARKET OUTCOMES (cont)
Producer surplus, marginal producer surplus.
Market efficiency: First Fundamental Welfare Theory.
Limitations: equity, market power, externalities.

19, 22 Oct
APPLICATION OF SOCIAL EVALUATION OF MARKETS
International trade.

24, 26, 29, 31 Oct
FIRMS: COSTS OF PRODUCTION
Distinguishing accounting and economic costs.
Production function, diminishing marginal product.
Total cost, increasing marginal cost.
Fixed and Variable Costs.
Average and Marginal Costs.

2 Nov
FIRMS: PROFIT MAXIMIZATION
Profit maximization
Marginal revenue.

COMPETITIVE FIRMS
Competitive firm’s demand curve is horizontal.
Short-run and long-run.
Presence rule of existing firm:
   “produce if price >= min average variable cost” rule.
5 Nov
SECOND MIDTERM (7:00 - 9:00 pm)

7, 9 Nov
COMPETITIVE FIRMS (cont.)
Presence rule of new firm:
"enter if price >= min average total cost" rule
Level rule: "produce till marginal cost = price"
Firm supply curve in short-run and long-run.

12, 14, 16, 19
COMPETITIVE MARKETS
Short-run market supply curve is upward sloping.
Long-run market supply curve is horizontal.
In long-run: price = min average cost.
Market dynamics in the short-run and in the long-run.

21, 26 Nov
MONOPOLY
Monopoly demand curve is downward sloping.
Monopoly: marginal revenue < price.
Monopoly output choice:
"marginal revenue = marginal cost" rule.
Inefficiency: deadweight loss.
Public policy discussion.

28, 30 Nov,
3 Dec
OLIGOPOLY
Divergence of group and individual incentives.
Public policy discussion.

5, 7, 10, 12 Dec
FINAL EXAM (1:30 - 3:30 p.m)