Microeconomic principles 2010 introduces the "economic way of thinking" to the student. The economic problem, narrowly defined, which faces all societies is: What to produce? How to produce? and For Whom to produce? But economics is broader than this; it is really the study of wise decision-making in all areas of life. To draw a biological analogy: The "ecosystem" of microeconomics is competitive equilibrium, with supply and demand determining prices and quantities exchanged in each of a plethora of individual markets (interacting "forests"). The "trees" that make up each forest are the individual economic agents (households and firms, but other collections of people as well) whose behavior we shall study extensively. While this all may seem rather dry and unclear at this time, economics is hardly the "dismal science" it has been tagged as; rather I think you will find it live and exciting.

Administrative Details


Office: Economics 223 Hours: 2:00-3:30 MW and by Appt.
Phone: 492-7021

There will be two midterms and the final; an elaborate scheme (described more fully in class) will be used to convert this information into a grade. The TAs will be responsible for grading in recitations (-, 0, or + grades) and this grade will determine grades for those on the margin (also as described in class).

Brief Course Outline and Reading Assignments (not a substitute for class notes!)

I. INTRO: ECONOMICS--UNDERSTANDING HOW THE WORLD WORKS (Chap. 1)

II. BASIC PROBLEMS OF ECONOMIC ORGANIZATION (Chaps. 2, 3)
   Consumer behavior, firm behavior, and the coordination provided by the competitive market. Rational choice. Property rights and incentives. Inputs and outputs. The gains from trade and comparative advantage. Efficiency (Pareto, Kaldar) and equity. Philosophical issues (What is "value?").
III. DEMAND AND SUPPLY (Chaps 4, 5)
Demand, Supply, and Market Equilibrium (maximizing and coordinating). The "shifts" versus "movements along" confusion clarified. Elasticity. Price controls. Applications (farm policy, rent controls, minimum wages). One reason why some don't like supply and demand.

IV. TIME AND RISK (Chap 6, 9, and 10--class notes)
Intertemporal resource allocation and the price system: interest, compounding, discounting and the role of entrepreneurs and speculators.

V. THE PUBLIC SECTOR (Chap 7)
The role of government--private market failure. Sources of public market failure.

VI. CONSUMER CHOICE AND DEMAND (Chap. 8, optional appendix to Chap. 6)
Note: we will do this material quite differently from the book. Preference assumptions. Utility and the law of diminishing marginal utility. Rule of rational life. Can consumers do this (animal experiments)? From individual to market demand. Consumer surplus and the paradox of value.
(first midterm--we vote on the date--after this material)

VII. PRODUCER CHOICE AND SUPPLY (Chaps. 12, 13, 21, 22, opt. app. to Chap. 12)

VIII. THE FIRM IN PERFECT COMPETITION (Chap. 14)

IX. THE MONOPOLY FIRM (portions of Chap. 15, 17)
Definition and bases for monopoly. When marginal revenue is not equal to price. Efficiency and equity implications for monopoly. Price discrimination. Regulation of monopoly.

X. OTHER MARKET STRUCTURES (Chaps. 15, 16, 18)
(Transport on this--see class notes)
(second midterm--late in course, again we vote--after this material)

XI. INPUT MARKETS AND INCOME DISTRIBUTION (Chaps. 6, 11, 24--class notes)
Marginal productivity theory. Compensating differentials. Discrimination. Land, natural resources, and "economic rent." Capital, interest, and profits.

XII. MARKET FAILURE AND PUBLIC POLICY (Chaps. 7, 23, 24--class notes)
Externalities. Public goods (including income distribution). Public Choice Theory: Will government do better? The market wins--but remember that giving the most of what people prefer does not elevate those preferences...

XIII. THE INTERNATIONAL ECONOMY (Chaps. 3--class notes)
(final exam--Thursday, December 16, 3:30-6:30 pm.--good luck!)