Microeconomic principles 2010 introduces you to the “economic way of thinking.” The central fact that underlies economics is the fact of “scarcity.” By this it is meant that our wants exceed the goods freely available from nature—hence choices must be made among the many things we want. This leads to the fundamental economic questions, narrowly defined, which face all societies: What to produce? How to produce? and For Whom to produce? But economics is really much broader in scope 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 “optimizing” behavior we shall study extensively. All sound decisionmaking involves comparison of benefits with costs—when benefits exceed costs for an action the decisionmaker is made better off by taking that action. While this all may seem rather dry and unclear at this time, economics is hardly the “dismal science” it has been tagged as (by T. Carlyle); rather I have high hopes that you will find it live and exciting.

Administrative Details

Note: Recitation classes will not meet during the first week of class!
Text: Robert L. Sexton EXPLORING MICROECONOMICS, Dryden, 7th, 2015. (S)
Note that there are two “packages” where the less expensive one does not have a hardcopy version of the book while the other does. Both include “Mindtap” an online educational site, which will be used in recitations.
Course Lecture Guideline on my website (look for “All the Handouts: Printable”). This is what I follow in the day-to-day lectures on the overhead projector. There are also some PowerPoints and I will make them available on D2L, but they are similar to the book.
Office: Economics 223 Hours: Tuesday-Thursday 3:30pm-5:00pm (and by appointment at many additional hours, if there are schedule conflicts).
Contact: e-mail: philip.graves@colorado.edu or philip@brainlodge.com (I am usually online 24/7...definitely the “quick response” media)

NOTE: 1) The final exam date is: Monday December 14th 1:30pm-4:00pm. All exams are in our usual classroom. This information is repeated at the end of the syllabus...there are no makeups...do not make plans (airline tickets, etc.) that involve leaving early. The Economics Department has recently instituted more stringent grading requirements that I must follow. The grade of IW has been completely eliminated, while the grade of IF will only be given in situations in which a student is unable to complete a course for reasons completely beyond their control. Such situations must be discussed with me immediately, or an F will be assigned for the course grade. If you have three or more finals in one day, it is the last final that is to be changed according to University policy.

2) Students with disabilities who qualify for academic accommodations must provide a letter from Disability Services (DS) and discuss specific needs with me, preferably during the first two weeks of class. DS determines accommodations based on documented disabilities (303-492-8671, Williams 322, www.colorado.edu/sacs/disabilityservices). Campus policies (including those involving the new student honor code, plagiarism, classroom behavior policies, and the like) can be viewed at: http://www.colorado.edu/policies/index.html. Direct any questions you have about these policies to me or to our very competent and helpful advisors in the Economics Department.

3) Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, it is unlikely that this will be a problem, since I do not take attendance in any event. Should we be voting for a test date that conflicts with religious observances, point this out to me and that date will be eliminated from consideration. See full details at http://www.colorado.edu/policies/fac_relig.html

4) Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to such behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat all students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which they and their students express opinions. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender variance, and nationalities. Class rosters are provided to the instructor with the student’s legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See polices at: http://www.colorado.edu/policies/classbehavior.html and at http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code

5) All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu; 303-725-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at http://www.colorado.edu/policies/honor.html and at http://www.colorado.edu/academics/honorablecode/

Grading:
I have an unusual and complicated (but extremely fair!) grading system. There will be two midterms and a comprehensive final. On each multiple-choice exam enough points are added to everyone’s bring the median score up to 75. NOTE: it is points that are added not questions, where a ques-
A CHECKLIST OF HOW TO DO WELL IN THIS (or any) COURSE:

1) How much time do you invest in this course? [The average student who does not naturally take to economics but still gets a grade of B or better spends nine hours outside of the classroom].

2) Do you come to class? [This is more valuable than is the case for some courses...anecdotes make the material more understandable].

3) Do you come prepared? [Stay current. If you are studying Chapter 3 when the lecture is on Chapter 6, it will harm your performance. While not needing perfection, do the best you can to have read the material being covered in lecture].

4) When do you study for this class? [Break up your study time, to keep it fresh. Don’t study when you are tired].

5) How do you study? [Study by doing. Work problems, like in physics, chemistry, or engineering. Go back and forth between problems, examples, and text. Aplia will help on this].

6) Do you work for understanding? [When you get a problem right, sometimes by trial and error, go back over the problem and see why the method you employed worked].

7) Can you explain it to others? [If you can explain it to others, perhaps in a study group, you will really know it].

8) Have you worked on your self-confidence? [Before you look up the answer to a question, assign a “confidence factor” to your work...on a scale of 1-10 how confident are you that you are right? Be honest with yourself. The more often you prove yourself right, the less test anxiety you will have].

9) Do you cram for tests? [Don’t. It will not work in economics, and perhaps not in any analytical field. Study regularly, with greater review being the only difference in your study habits prior to a test. Cramming for tests leads to fatigue, test anxiety, and stupid mistakes. Get plenty of sleep. Treat being in school as having a full-time job...put in your time regularly and you won’t need or want to cram].

A rough guide to topics we will cover (see the website “printable” handout for lecture guides and the PowerPoints will be made available):
I. ECONOMIC WAY OF THINKING--HOW DOES THE WORLD “WORK?”

What is “economics?” How people make decisions made necessary by the fact of scarcity--Principles:
*people face tradeoffs,
*opportunity costs are only relevant cost concept,
*rational people think “at the margin,” and
*people respond to incentives.

How people interact--Principles:
*trade generally makes everyone better off (trade creates wealth, and is voluntary),
*markets have desirable properties,
*government can sometimes--though more rarely than most people realize--improve on market outcomes.

How the economy as a whole works--Principles:
*income and output are identical,
*too much money causes inflation,
*unforeseen policies can affect the economy in the short run.

Science, “realism,” and models. Logical pitfalls (fallacy of composition, post hoc ergo propter hoc, wishful thinking and secondary effects or law of unintended consequences). Scarcity implies choice which, in turn, implies opportunity costs. The “market” as one means of solving problems stemming from scarcity (spontaneous order versus hierarchy). The central economic questions we will examine are What, How, For Whom, (and When)? Consumer and firm goals and the spontaneous coordination provided by the competitive market. Property rights and incentives. Positive and normative economics (benefits and costs and their distribution). Efficiency (Pareto, Kaldor) and equity. Why economists disagree (theory, estimates, and values). The gains from trade and comparative advantage. Introductory illustrations: Determinants of the number of children to have, minimum wages, progressive income taxation, international trade. Graphs: production possibility frontier and circular flow. Philosophical issues (What is “value?”).

II. DEMAND AND SUPPLY--THE BASICS


III. DEMAND AND SUPPLY--EFFICIENCY AND WELFARE


IV. CONSUMER CHOICE AND DEMAND

Note: we will do this material a bit differently from the book. Preference assumptions. Utility and the law of diminishing marginal utility. Rule of rational life. Can consumers do this (animal experiments)?

V. PUBLIC ECONOMICS

Externalities, public goods (including income distribution), common resources, Public choice theory: Will government do better? New theoretical material here (on public goods provision and optimal governmental institutions...not in micro books, yet!) The market “wins”--but remember that giving the most of what people want (apart from the public goods problem raised) does not elevate those preferences... Public policy: car regulations, education, housing, cigarettes. Optimal tax systems.

(first midterm--after this material--the date will be voted on in class, with an eye to “optimizing” the date selected)

VI. PRODUCER CHOICE AND SUPPLY


C. Other market structures--oligopoly and monopolistic competition (we will go light on this--see class notes)

(second midterm--rather late in course--will also be voted on, but usually in the 2nd week prior to the end of the semester)

VII. INPUT MARKETS, INCOME DISTRIBUTION, SOCIAL ISSUES


(Final exam: Monday December 14th, 1:30pm-4:00pm, in our regular classroom)