

KEEP THIS HANDOUT FOR FUTURE REFERENCE

Principles of Economics-Micro, Econ 2010-400, Fall 2004.

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Textbook: 1) "Microeconomics" by Bade/Parkin, Pearson Custom Publishers, First Edition, 2004.

Course Description and Objectives: This course focuses on the overall microeconomic issues of Demand and supply curves, consumer choice theory, elasticity, profit maximization, cost curves, pure competition, monopolistic competition and comparative advantage principle in international trade. The exact sequence of chapters to be covered is announced in the first class.

This is a demanding class and requires special attention to do well in it. Each class session provides abundant notes that improve understanding of the subject matter. Attendance in each class is mandatory, and several absentees with out a convincing reason automatically earn an F grade for the course.

There are four tests (including the final) to be taken, all of them have multiple choice questions. The grades depend upon the absolute performances in the above tests. A surprise (pop) home assignment serves as the tool to earn bonus points. 20% of your grade depends upon your work in the recitation classes. So, it is mandatory that you attend all recitations, and keep up with those assignments. Usually, the score of 90% of the total possible points guarantees an A grade, score of 80% a B grade and 70% a C grade. For whatever reason if you cannot score even 50% of the total possible points, then F grade is unavoidable.

The course depends heavily upon high school background of algebra and geometry. There are numerous graphs to be drawn, and some mathematical notations to deal with. Every class assumes that you are reading the relevant modules from the textbook, and are reviewing the earlier class material. Asking questions in the class is encouraged, and many times is reciprocated. When supported by a lot of hard work at home, this is an enjoyable class. In each class session, rules of common courtesy are strictly followed. Do not talk to your neighbor when the class is in progress. Take good notes and be attentive to answer questions. Have a wonderful semester!

LIST OF TOPICS TO BE COVERED IN MICROECONOMICS

Topic 1: A Few definitions, Economics-Micro and macro, Economic system, opportunity costs, PPCs, economic models, economic hypothesis

Topic 2: Law of Demand, explanation, reasons for its validity, other things to be held constant, market demand curve. Law of Supply, its meaning, reasons for its validity, other things, market supply curve etc.

Topic 3: Market analysis and market mechanism, paradox of flexibility of price, disturbances to market mechanism, changes in demand and supply, 3 groups, government policy of price control.

Topic 4: Consumer choice theory, one good case, 2 or more goods case, law of diminishing marginal utility, measurement of utility.

Topic 5 : Elasticities: Demand elasticity, types of demand, 5 different elasticities, relationship with Total Revenue (TR), and firm's price policy.

Topic 6: Production and costs: The law of variable proportions, cost concepts, Total, fixed, variable, marginal and average costs. Profit maximization techniques.

Topic 7: Perfect competition market, its unique characteristics, firm short-run and long run situation, profit maximization, production and economic efficiency under perfect competition.

Topic 8: Monopoly market: Its characteristics, firm's profit maximization and loss minimization, price discrimination by monopolist, efficiency criteria.

Topic 9: Monopolistic market, Its characteristics, product differentiation, profit maximization, short-run and long run situation of the firm, efficiency criteria.

Topic 10: Oligopoly, its characteristics, collusive-non-collusive, kinked demand curve model and price rigidity, follow the leader model, prisoners' dilemma and strategic behavior and game theory, efficiency criteria.

Topic 11: Input markets, land and theory of rent, labor and wage determination, and capital market and loanable funds theory.

Topic 12: International trade, mercantilists, Adam Smith's absolute advantage theory, and Ricardo's Comparative Advantage theory.