**Fall 2012 Economics 310-02 Syllabus**

**Intermediate Microeconomics**

**California State University, Channel Islands**

**Instructor: Z. John Lu, PhD**

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Office hours: W 4:15 – 5:15 pm

Class time: M/W 3:00 – 4:15 pm

Class location: Bell Tower 2582

In-class exam 1: Wednesday, 17 October (in class)

Term Paper: Wednesday, 31 October

Final exam: Monday, 10 December 4:00 – 6:00 pm

Course website: <http://blackboard.csuci.edu>

Required text: Intermediate Microeconomics and Its Application by Nicholson & Snyder (11th edition, South-Western, Cengage Learning 2010)

*In addition, some supplemental materials may be provided by the lecturer as the course progresses*

**General Guidelines**

This course will emphasize depth and quality of understanding over breadth. It will focus on the following five core areas of microeconomics:

* Theory of the Consumer (Choice, Preference, Utility Maximization and Demand Curve)
* Theory of the Firm (Production, Cost, Profit Maximization and Supply Curve)
* Market Structure, Conduct, and Performance (Price/Output Decision, Efficiency and Welfare, Strategic Behavior and Public Policy)
* Value Determination of Factors of Production (Theory of Productivity, Labor Demand and Wage Determination)
* Market Failure and Role of Government (Theory of Externalities and Public Goods)

The pre-requisites for this course include Econ 110 (intro-micro), Econ 111 (intro-macro), and Math 140 or 150. This course builds on your introductory courses to further develop your economic “intuition” and to provide you with more advanced economic models/tools in your analytical arsenal. While I will keep the use of calculus to a minimum, the ability to manipulate algebraic equations and a good knowledge of basic geometry is essential for the successful completion of this course. Further, the absence of derivatives does not mean a lack of logical coherence in our approach to analyze any issue. *In fact, many have found it harder to express complex economic ideas without the use of mathematics.* I strongly advise you to polish up your algebra and basic geometry for this course.

**Top Level Course Objectives**

Ideally, you will complete this course understanding how and why economics is important, useful and relevant to everyday decisions in a wide variety of situations.

* Explain how rationale consumers make decisions in terms of choice under a limited budget.
* Thoroughly understand and fluently apply the concept of marginal analysis in optimization decisions faced by economic participants (firms, consumers, workers, etc.)
* Employ economic tools (models, equations, graphs, etc.) to real-world situations, and generate logically consistent arguments regarding efficiency and welfare (of market participants).
* Distinguish various forms of market structure and how they affect price/output decisions and efficiency/welfare implications
* Compare and contrast the economic consequences of business decisions or policy changes between the short run and the long run.
* Identify circumstances where markets may fail and forecast likely outcomes of such failures.
* Analyze government solutions to market failures.
* Extend learned economic reasoning to other (seemingly non-economic) issues[[1]](#footnote-1)

**Grading System**

Your grade for the course is based on take-home quizzes and exams in the following way:

|  |  |
| --- | --- |
| Task | Percent of grade (weight) |
| Quizzes (5) | 40% |
| Term Paper (1) | 10% |
| Exam 1 | 25% |
| Final exam | 25% |

The final course grade depends on (1) sum of weighted % you earn from the four tasks (best = 100%); (2) your relative ranking in the class[[2]](#footnote-2),[[3]](#footnote-3). Note that +/- grades are allowed, and I typically assign a median (midpoint) grade of a B-/C+.

**Exams**

* There will be NO make-up exams. You should not take this class if you think you will likely miss the exams. The dates for both exams are provided on the first page of this syllabus.
* The two exams are equally weighted (to minimize “cramming” for the Final). Final will be somewhat cumulative, but heavily weighted toward the new materials after Exam 1.
* Format of exams includes multiple choices, T/F matching, and essay questions. The first two types are self-explanatory. There are 2 types of essay questions. One will be of the problem solving variety (similar to Problems section at back of each chapter) where you will utilize your written, graphical and mathematical economic toolkit to derive and describe a situation and the recommended solution (e.g., solving for a monopolist’s price/output decision given the demand curve and cost function it faces). The other type will be more general and comprehensive (and in all likelihood more representative of the way economists tackle problems in the real world). The most common format would be to ask you to provide your expert (economist’s) opinion on a real or hypothetical issue: It provides you with a recent newspaper or magazine article covering a particular news or problem. It then asks you to identify/recognize the underlying economic issue (e.g., an anti-competitive behavior), to employ an analytical framework to examine the causes and consequences (e.g., theory of cartel in a market dominated by few large firms), and to either critique the existing solution or offer an alternative solution (see examples in the Application section in each chapter). This type of essay questions measures how well you can synthesize the analytical techniques with the ability to communicate in a clear and concise manner[[4]](#footnote-4).

**Quizzes**

* Total of five (5) quizzes, cumulatively accounting for 40% of the final grade. Note that each quiz may not weight exactly the same[[5]](#footnote-5).
* Quizzes will typically be of the take-home variety and will most closely emulate essay questions on an exam (both types). Some questions may be taken directly out of the Problems section in each chapter, and others will be provided from other sources. They should be submitted typed, and quality of exposition and professionalism of presentation may count for as much as 25% of your score. These quizzes will help you prepare for the essay portion of the exam.
* You are allowed to collaborate and work out the basic solution to quiz questions. However, each of you must write (type) out the final answers on your own, instead of copying a lead person’s answers. Further, it will be a big mistake if you employ a “divide and conquer” strategy for the quizzes – you need these opportunities to hone in your skills (and prepare for the exams).
* Remember: do not plagiarize! It is ok to consult with sources other than your book or your instructor for these quizzes. But you must identify the sources and place verbatim language in quotation marks.
* We will spend some classroom time discussing the solutions after each quiz is turned in. You may be called upon to explain your answer (Of course volunteers will be greatly appreciated).
* There will be NO make-up quiz. Each quiz will be assigned at least 1 week in advance to allow sufficient time for you to complete. I will provide the tentative due date for each quiz later in the syllabus.

**Term paper**

There is one *required* paper for this class, worth 10% of your total score. The paper must be submitted typed, no less than 1,000 words long in the main body (i.e., not including words in the reference section). This is a persuasive type of paper. The paper asks you to answer the following question:

Based on the 2011-2012 Payscale College Salary Report ([Best Undergrad College Degrees By Salary.mht](https://csuci.blackboard.com/bbcswebdav/pid-585091-dt-content-rid-41423_1/xid-41423_1) – web link provided on blackboard), the best college majors judged by the midcareer medium annual pay are either engineering (all types), applied mathematics and physics, and economics (people with graduate degrees were not included in the survey). Given this information, and if we assume that the primary objective for obtaining a college education is to maximize lifetime earnings, should every college student major in one of the above fields? Why or Why not?

This is a somewhat open ended question, so I don’t expect a uniform answer from all students. Regardless of your position, you must provide *economic* principles (however many you can think of and learn from this course). Although other types of arguments, including philosophical, theological, cultural or sociological, may also be valid in explaining your position, they should NOT be part of your arguments *for the purpose of this paper*.

You are free (and are encouraged) to do research on this topic, but you must reference all sources of your information. You may also work together in a team of 2-3 people, but each must submit an individualized paper – if I receive two identical papers, I will assume there was plagiarism or cross-plagiarism, and both papers will receive a significant penalty.

The paper is due on or before October 31, Wednesday, in class. I encourage you to turn the paper in earlier, as the later it gets into the semester, the more swamped your schedule will become.

Feel free to discuss with me about the paper, your thoughts, or questions before it is due.

**Success Factors**

* *Read the Book*: For this course, the text will be the most valuable source of information and clarification. Ideally, read it before lecture and read it again afterwards. You will learn faster and deeper this way.

* *Attend the Lectures*: Attendance is expected. Although lecture notes (PowerPoint slides) will be posted online, they can never take the place of active, in-classroom learning. Missing class means missing valuable discussion, clarification, solving example questions, and information regarding assignments.
* *Do the Work*: Like anything else in life, *Practice Makes Perfect*. "Practice" means reading the assigned chapters completely, working out the take-home quizzes diligently, and seeking timely help from the instructor or fellow students.
* *Observe the Real World*: Read the business sections of the *LA Times, Los Angeles Business Journal, VC Stars* (I don’t mean looking for employment ads, but rather see how the news is covered and what economic ideas they embody). If possible, periodically read the *WSJ* or the *Economist* or the *Business Week*.

**Academic Honesty**

* In accordance with the CSU Channel Islands policy on academic dishonesty, students in this course who submit the work of others as their own (plagiarize), cheat on tests or examinations, help other students cheat or plagiarize, or commit other acts of academic dishonesty will receive appropriate academic penalties, up to and including failing the course.
* *Assignments or papers with plagiarized language or ideas will receive a failing grade.*
* *Plagiarism or cheating on quizzes or exams will also result in a failing grade.*
* *In cases where the cheating or plagiarism was premeditated or planned, students may receive an F for the course.*
* Students are encouraged to consult with the instructor on when and how to document sources if they have questions about what might constitute an act of plagiarism or cheating.

**Other Classroom Policies**

* Be respectful of your teacher and fellow students: do not chat in class.
* Please turn off your cell phones in class.
* Do not watch video or surf the net in class.
* Do not do work for other classes – if you have a crunch timeline for other classes, I would rather you stay in the library/home and finish instead of just showing up for the sake of keeping a good attendance rate. Doing work for other classes while in attendance is *worse* than not showing up.
* Do not be afraid of asking or answering questions. Nobody has a monopoly in knowledge, and we are all in this learning together.
* Regular class participation (NOT just showing up) can help your grade if you are on the borderline between two grades. For example, if you are at the cutoff between a B-/C+, regular class participation may boost your grade to a B- relative to someone who does not attend or participate regularly.

**Detailed Topics and Schedules**

The following order will be approximately followed chronologically. Note this class will meet for a total of 29 times (excluding the Final Exam), and because the Oct 17 class is entirely devoted for Exam 1, there are a total of 28 lectures devoted to teaching.

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| --- | --- | --- | --- | --- |
| **Week of** | **Topic** | **Reading Materials[[6]](#footnote-6)** | **No. of Lectures** | **Notes** |
| August 27 | Overview of course;  Utility and Choice | Syllabus; Chap 1 + Appendix (pg. 3 - 41); Chap 2 | 2 | Appendix 1 should be read for your own review, esp. if math is not your strong point. |
| Sept. 3 AND  Sept. 10 | Application of Utility Theory; Demand Curves | Chap 3 | 3 | No class on Sept 3 |
| Sept. 17 | Theory of Firm: Production | Chap 6 | 2 | Quiz 1 (Chap. 1, 2, and 3; take-home) due on Sept 19 (Wed) |
| Sept. 24 | Theory of Firm: Costs | Chap 7 | 2 |  |
| Oct. 1 | Theory of Firm: Profit Max &Output Decision | Chap 8 | 2 |  |
| Oct. 8 AND  Oct. 15 | Market Structure: Perfect Competition | Chap 9 | 3 | Quiz 2 (Chap. 6, 7 and 8; take-home) due at end on Oct. 10 (Wed) |
| October 17  (Wed) | **Exam 1** | **Chap. 1-3, and 6-8** | 1 | **In class exam** |
| Oct. 22 | Market Structure: Monopoly | Chap 11 | 2 |  |
| Oct. 29 | Market Structure: Monopolistic Competition | Reading materials provided by Prof. | 2 | Quiz 3 (Chap 9, 11; take-home) due on Oct. 31 (Wed);  **Term Paper due on Oct. 31** |
| Nov. 5 | Market Structure: Oligopoly | Reading materials provided by Prof. | 3 |  |
| Nov. 12 | Theory of Productivity and Wage | Chap 13 | 2 | Quiz 4 (Monopolistic Comp and Oligopoly; take-home) due on Nov. 14 (Wed) |
| Nov. 19 AND  Nov. 26 | Capital Market, Interest Rate, Discounted Value | Chap 14 | 3 | Nov. 21 (Wed before Thanksgiving) may be an optional session |
| Dec. 3 | Externalities and Public Goods | Chap 16 | 2 | Quiz 5 (Chap 13 and 14; take-home) due on Dec. 5 (Wed) |
|  | **Final** | All prior materials; 20% - 80% weighting (towards 2nd half materials) | **10 December, 2012 4:00 – 6:00 pm** | |

***This schedule and order is subject to change at any time during the semester.***

1. For those of you who are interested in learning how economists apply their tools to all kinds of issues large or small, and many outside the traditional realm of economics, I recommend “Freakonomics” by Steven D. Levitt and Stephen J. Dubner. [↑](#footnote-ref-1)
2. For example, your raw scores from the four tasks are (hypothetically) 32/40 (Q), 10/10 (P), 40/50 (E1), and 35/50 (F) respectively. First, I convert the scores into % of maximum scores for each task, arriving at 80% (Q), 100% (P), 80% (E1), and 70% (F). Next I use the weight for each task to arrive at a weighted %: 32% (Q), 10% (P), 20% (E1) and 17.5% (F). Finally I sum up the weighted %’s and get (32% + 10% + 20% + 17.5% =) 79.5%. Without curving (i.e., taking into consideration of the difficulty of materials and your relative ranking in class), this will likely lead to a C+ or B- final grade. However, if your rank is 12/30 (top 25%) in the class, 79.5% will more likely lead to a grade in the B range, rather than a C+. [↑](#footnote-ref-2)
3. I know there might be an incentive for students to “collude” and collectively not study hard, since (you think) your grade is determined based on the relative ranking. This is not only an academic dishonesty, but also an incorrect idea. Your grade depends on BOTH the actual % and the relative ranking. [↑](#footnote-ref-3)
4. Majority of the economists nowadays are expert mathematicians but less than capable writers. In the business world, however, a combined set of technical knowledge and communication skills is often more useful than either a pure mathematician or a superb “talking head”. I of course am not expecting you to become a business journalist for the *Wall Street Journal* or the *Economist* overnight. [↑](#footnote-ref-4)
5. The number of quizzes may be less or more, depending on how the course progresses relative to my planning. Therefore a range of 4 to 6 may be given, and each weight will be adjusted accordingly. [↑](#footnote-ref-5)
6. In general, materials covered during lecture will be less than materials assigned for reading. However, you are required to read the entire assigned reading. [↑](#footnote-ref-6)