

# Contemporary Microeconomic Principles

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**INSTRUCTOR:** Kaitlyn Woltz

ECON 103-005

**OFFICE LOCATION:** James Buchanan Hall D101

Fall 2018

**EMAIL ADDRESS:** [kwoltz@gmu.edu](mailto:kwoltz@gmu.edu)

Enterprise Hall 275

**OFFICE HOURS:** Tuesday, 4:30 PM – 6:30 PM; and by appointment

TR: 3:00 – 4:15 PM

“Whether one is a conservative or a radical, a protectionist or a free trader, a cosmopolitan or a nationalist, a churchman or a heathen, it is useful to know the causes and consequences of economic phenomena.” – George J. Stigler (1982, 61)

Academic economics is primarily useful, both to the student and to the political leader, as a prophylactic against popular fallacies.” –Henry Simon (1983, 3)

## 1. COURSE DESCRIPTION

Economics, as a social science, constitutes the study of human action in the face of scarcity. It aims to answer the question set forth by Frederic Bastiat: How does Paris get fed? To that end, economics explores the forces underlying social cooperation and prosperity. This course introduces microeconomics in the context of current problems; explores how the market mechanism allocates scarce resources among competing uses; uses supply, demand, production, and distribution theory to analyze problems. By the end of the course, students will be able to answer Bastiat’s question, engage in means-ends analysis, use supply and demand graphs to analyze the economy, understand the fundamental fact of scarcity, and how and why institutions matter for achieving social cooperation.

*Following Buchanan (1982) “Order Defined in the Process of its Emergence,” the character of this class will emerge as the semester progresses. To that end, I may have to adjust this syllabus to better fit the character of the class. I will alert students to any changes made to the syllabus via email.*

## 2. CLASS EXPECTATIONS

I expect that you treat your fellow classmates with respect, even if you disagree with them; reasonable minds can differ on any number of perspectives, opinions, and conclusions. Constructive disagreement sharpens our thinking and deepens our understanding; therefore, it is not only encouraged, but expected. All viewpoints are welcome in my class; however, no ideas are immune from scrutiny and debate.

Regular attendance is essential to successfully completing this course. If you need to miss a class, it is your responsibility to obtain all lecture notes and assignments from one of your classmates.

You are welcome to use whatever technology you like in the class as long as it does not distract myself or your classmates. During quizzes and exams, however, the use of technology, e.g. cell phones, laptops, tablets, etc., is prohibited.

## 3. COURSE MATERIALS

There are two required texts for this course:

- Cowen, Tyler and Tabarrok, Alex (2018) *Modern Principles: Microeconomics* (4<sup>th</sup> edition). New York: Worth Publishers. (CT)

- Hazlitt, Henry (1952) *Economics in One Lesson*. Harper and Brothers. (HH)

In addition, Marginal Revolution University has videos and other materials that I will assign throughout the semester (<https://www.mruniversity.com/courses/principles-economics-microeconomics>).

## 4. EVALUATION AND GRADING

Your grade in this course consists of daily quizzes, four problem sets, and two exams.

Daily Quizzes	20%	
Problem Sets	15%	
Midterm Exam	30%	<b>Tuesday, October 16</b>
Final Exam	35%	<b>Thursday, December 13, 1:30pm – 4:15pm</b>

The daily quizzes will be based on both the assigned readings (excluding videos) for that day and the lecture from the previous class. Consequently, attending class and completing the assigned readings will be essential to successfully completing this course. I will drop your two lowest quiz grades to allow for any unexpected events that prevent you from attending class. There will not be any make-up quizzes – no exceptions.

Problem sets will consist of end of chapter problems from Cowen and Tabarrok (2018) (CT), questions from Hazlitt (1952) (HH), as well as questions pulled from class lectures. These will reflect the types of questions that will be on the exams. Late assignments will not be accepted—no exceptions.

In accordance with University policy, if you have three or more exams on the date of the final examination, you may reschedule it. To do so, you must contact me **no less than one week** prior to the final examination. There will not be any make-up exams – no exceptions.

There will be an opportunity for extra credit after the midterm exam. I will provide details about the assignment then.

Grades will be assigned according to the following scale:

A+	100-97
A	96-92
A -	93-90
B+	89-87
B	86-84
B -	83-80
C+	79-77
C	76-73
C -	73-70
D	69-60
F	< 60

## 5. SCHEDULE OF TOPICS, ASSIGNMENTS, AND EXAMS

Date	Topic	Reading*
8/28	Syllabus Overview, Intro to Micro	Syllabus
8/30	Intro to Economics	CT Ch 1 HH Ch 1 Video: Intro to Microeconomics
9/4	Comparative Advantage	CT Ch 2 Video: <a href="#">I, Pencil</a> Video: The Big Ideas of Trade Video: Comparative Advantage Video: Another Look at Comparative Advantage
9/6	Intro to Supply and Demand: Demand	CT Ch 3 HH Ch 2, 3 Video: Why Does the Demand Curve Slope Down and Why is this Important Video: A Deeper Look at the Demand Curve Video: The Demand Curve Shifts
9/11	Intro to Supply and Demand: Supply	CT Ch 3 Video: Why do (most) Supply Curves Slope Up and Why is this Important? Video: A Deeper Look at the Supply Curve Video: The Supply Curve Shifts
9/13	Supply and Demand continued: Equilibrium	CT Ch 4 Video: Supply and Demand Terminology Video: The Equilibrium Price Video: Equilibrium and the Gains from Trade Video: Does the Equilibrium Model Work
9/18	Elasticity	CT Ch 5 Video: Elasticity of Demand Video: Calculating the Elasticity of Demand Video: Elasticity of Supply Video: What Does Elasticity Have to Do with Freeing Slaves in Africa Video: Using Elasticity <b>Problem Set # 1 Due</b>
9/20	Taxes and Elasticity	CT Ch 6 HH Ch 4, 5, 11, 14 *Tullock (1967) The Welfare Costs of Tariffs, Monopolies, and Theft Video: Commodity Taxes Video: Who Pays the Tax?

9/25	Deadweight Loss and Subsidies	CT Ch 6 HH Ch 6 Video: Understanding Tax Revenue and Deadweight Loss Video: Subsidies Video: Wage Subsidies
9/27	Intro to the Price System	CT Ch 7 HH Ch 15 *Hayek (1945) Use of Knowledge in Society Video: I, Rose Video: A Price is a Signal Wrapped up in an Incentive Video: Markets Link the World Video: The Great Economic Problem Video: Information and Incentives Video: Speculation Video: Prediction Markets
10/2	Price Ceilings and Price Floors	CT Ch 8 HH 16, 17, 18, 19 Video: Price Ceilings: The US Economy Flounders in the 1970s Video: Price Ceilings: Shortages and Quality Reduction Video: Price Ceilings: Lines and Search Costs Video: Price Ceilings: Deadweight Loss Video: Price Ceilings: Misallocation of Resources Video: Price Ceilings: Rent Control Video: Price Floors: The Minimum Wage Video: Price Floors: Airline Fares Video: Why Do Governments Enact Price Controls? Video: Price Controls and Communism
10/4	Externalities, Coase and Coase Applied	CT Ch 10 *Coase (1960) The Problem of Social Cost Video: An Introduction to Externalities Video: External Benefits Video: Command and Control Solutions Video: Coase Theorem Video: Should We Trade the Right to Pollute? Video: A Deeper Look at Tradeable Allowances
10/9		No Class
10/11	Midterm Review	<b>Problem Set # 2 Due</b>
10/16	Midterm Exam	<b>Midterm Exam</b>

10/18	Intro to Firm's Profit Maximization, Market Entry and Exit	CT Ch 11 HH Ch 22 Video: Introduction to the Competitive Firm Video: How Does a Competitive Firm Maximize Profits? Video: Maximizing Profit and the Average Cost Curve Video: Entry, Exit, and Supply Curves: Increasing Costs Video: Entry, Exit, and Supply Curves: Constant Costs Video: Entry, Exit, and Supply Curves: Decreasing Costs
10/23	Invisible Hand in Competition	CT Ch 12 Video: The Invisible Hand and the Minimization of Total Industry Video: The Balance of Industries and Creative Destruction
10/25	Intro to Monopoly, Costs and Benefits of Monopolies	CT Ch 13 Video: Maximizing Profit under Monopoly Video: The Monopoly Markup Video: The Costs and Benefits of Monopoly
10/30	Monopolistic Competition and Advertising	CT Ch 17 Video: Is Advertising Good?
11/1	Price Discrimination, Costs and Benefits of Price Discrimination	CT Ch 14 Video: Introduction to Price Discrimination Video: The Social Welfare of Price Discrimination
11/6	Price Discrimination Techniques: Typing and Bundling	CT Ch 14 Video: Typing Video: Typing, Bundling Video: Should Cable Companies Be Required to Sell by the Channel
11/8	Intro to Oligopoly, Prisoner's Dilemma Experiment	CT Ch 15 Video: Nash Equilibrium <b>Problem Set #3 Due</b>
11/13	Oligopoly and Game Theory	CT Ch 15
11/15		CLASS CANCELLED
11/20, 11/22		No Class, Thanksgiving break
11/27	Intro to Supply and Demand of Labor, Compensating Wage Differentials, Labor Issues and Policy	CT Ch 18 HH Ch 7, 8, 9, 10, 20 Video: The Tradeoff b/n Fun and Wages Video: Marginal Product of Labor Video: Human Capital and Signaling Video: Compensating Differentials Video: Do Unions Raise Wages

11/29	Public Goods, Tragedy of the Commons; Intro to Public Choice	CT Ch 19 Video: Tragedy of the Commons Video: Public Goods and Asteroid Defense Video: A Deeper Look at Public Goods
12/4	Government Solutions to Externalities	CT Ch 20 Video: An intro to externalities Video: Democracy and Famines
12/6	Final Exam Review	HH Ch 25 <b>Problem Set # 4 Due</b>

\*Readings are not required

## 6. ADDITIONAL INFORMATION

### Important Dates:

- Last day to add classes: **September 4**
- Last day to drop with no tuition penalty: **September 10**
- Withdrawal Period: **September 11 - 30**

Tutoring is available for you through the economics department in D150 Buchanan Hall. Tutors are available Monday 1-7pm, Tuesday 1-4pm, Wednesday 1-4pm, Thursday 1-4pm. See the following link for more details: <https://economics.gmu.edu/undergraduate/advising/tutoring>

I will be emailing students at their GMU email addresses in the event that updates to the class schedule and assignments are needed. GMU email address. Students are responsible for checking this email regularly. *Students must use their MasonLive email account to receive important University information, including communications related to this class. I will not respond to messages sent from or send messages to a non-Mason email address.*

Mason is an Honor Code university; please see the Office for Academic Integrity for a full description of the code and the honor committee process. The principle of academic integrity is taken very seriously, and violations are treated gravely. What does academic integrity mean in this course? Essentially this: when you are responsible for a task, you will perform that task. When you rely on someone else's work in an aspect of the performance of that task, you will give full credit in the proper, accepted form. Another aspect of academic integrity is the free play of ideas. Vigorous discussion and debate are encouraged in this course, with the firm expectation that all aspects of the class will be conducted with civility and respect for differing ideas, perspectives, and traditions. When in doubt (of any kind) please ask for guidance and clarification.

If you have a documented learning disability or other condition that may affect academic performance you should: 1) make sure this documentation is on file with Disability Services (SUB I, Rm. 4205; 993-2474; <http://ds.gmu.edu>) to determine the accommodations you need; and 2) talk with me to discuss your accommodation needs.

George Mason University is committed to providing a learning, living and working environment that is free from discrimination and a campus that is free of sexual misconduct and other acts of interpersonal violence in order to promote community well-being and

student success. We encourage students who believe that they have been sexually harassed, assaulted or subjected to sexual misconduct to seek assistance and support. [University Policy 1202: Sexual Harassment and Misconduct](#) speaks to the specifics of Mason's process, the resources, and the options available to students.

***Notice of mandatory reporting of sexual assault, interpersonal violence, and stalking:*** As a faculty member, I am designated as a "Responsible Employee," and must report all disclosures of sexual assault, interpersonal violence, and stalking to Mason's Title IX Coordinator per University Policy 1412. You may seek assistance from Mason's Title IX Coordinator, Jennifer Hammat, by calling 703-993-8730 or email [cde@gmu.edu](mailto:cde@gmu.edu). If you wish to speak with someone confidentially, please contact one of Mason's confidential resources, such as Student Support and Advocacy Center (SSAC) at 703-993-3686 or Counseling and Psychology Services (CAPS) at 703-993-2380. The 24-hour Sexual and Intimate Partner Violence Crisis Line for Mason is 703-380-1434.

\*\*\*For extra credit, please send me a cute picture of a dog before Thursday, August 30\*\*\*