

COURSE TITLE: Principles of Microeconomics

COURSE NUMBER: ECON- 206OL

CREDIT HOURS: Three (3)

INSTRUCTOR: Carolyn Nelson

OFFICE LOCATION: Weinberg Hall Room 125

OFFICE HOURS: As Posted

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REQUIRED TEXT AND MATERIALS: Economics, 17th Edition, McConnell/Brue,
McGraw-Hill/Irwin Publishing

COURSE DESCRIPTION: Microeconomic analysis. Topics include consumer and firm behavior, competitive pricing, monopoly power, and international trade.

EXPECTED LEARNER

OUTCOMES: Upon successful completion of this course, the student should be able to:

Unit 1 – Price Theory

1. Explain the logic of profit maximization.
2. Graph and explain the pattern of short-run average and marginal costs.
3. Calculate the price elasticity of demand, identify its determinants, and explain its effects on total revenue.
4. Identify the determinants of the elasticity of supply and differentiate between short-run and long-run supply elasticity.
5. Explain the derivation of the firm's short-run supply curve.

Unit II – Consumer Behavior and Costs

6. Explain the theory of utility.
7. Identify what is involved in maximizing utility.
8. Discuss consumer surplus.

9. Define and graph types of costs (fixed, variable, average and marginal).
10. Discuss the law of diminishing returns and economies of scale.
11. Discuss how costs in the short run and long run affect the decision to shut down or go out of business.

Unit III – Market Types

12. Define the conditions required for: perfect competition, monopolistic competition, oligopoly, and monopoly.
13. Explain the graph of a perfectly competitive firm maximizing profit or minimizing loss in the short run.
14. Graphically explain the results of entry or exit on profits or losses in the long run in perfect competition.
15. Explain the graph of an imperfectly competitive firm maximizing profit or minimizing loss in the short run.
16. Explain how barriers to entry affect the profitability and efficiency of imperfectly competitive firms in the long run.

Unit IV – A Primer on Financial Analysis

17. Calculate and interpret the key per share data and financial ratios for a given corporation from its Balance Sheet and Income Statement.
18. Interpret the Stock Tables in The Wall Street Journal.
19. Evaluate the “Fundamentals” of real-life companies using Value Line.

Unit V – International Economics

20. Summarize the pattern of trade between the U.S. and its major trading partners.
21. Using a numerical example, demonstrate the gains in output that result from specialization and trade.
22. Appraise the debate over free trade versus protection.
23. Interpret the foreign exchange table by comparing the dollar against the euro and the yen.
24. Differentiate between the winners and losers from an appreciating or depreciating currency.
25. Explain how variations in exports/imports, interest rates, and inflation cause currencies to appreciate or depreciate.

26. Explain why the dollar is currently appreciating /depreciating against the euro and the yen.

LEARNING TASKS &

This course cannot be passed without your doing the assigned reading. Exams are based on the text, power point lectures, and homework assignments.

ACTIVITIES

ASSESSMENT OF OUTCOMES:

DAILY WORK is assigned with each chapter.

QUIZZES will be given after each chapter. These exams use conceptual and computational questions to test the student's comprehension and application of economic concepts. The exam format is multiple choice questions.

STOCK MARKET PROJECT uses an online service to help you invest imaginary money and to track your team's portfolio.

GRADES will be based on the following schedule

| | |
|----------------------|-----|
| Daily work | 40% |
| Stock Market Project | 20% |
| Major Exams | 40% |

| <u>Grade</u> | <u>Percentage</u> |
|--------------|-------------------|
| A | 100 – 90% |
| B | 89 – 80% |
| C | 79 – 70% |
| D | 69 – 60% |
| F | 59 – 0% |

Additional Information: **Academic Honesty:**

Absolutely no tolerance!

Each student is to do his or her own work. Appropriate action will be taken on any student who is found borrowing another student's work; this may include receiving a failing grade, being dropped from the class or being placed on academic probation

THIS SYLLABUS IS SUBJECT TO REVISION WITH PRIOR NOTICE TO THE STUDENT BY THE INSTRUCTOR.

PRINCIPLES OF MICROECONOMICS COMPETENCIES

I. PRICE THEORY

EXPLAIN THE LOGIC OF PROFIT MAXIMIZATION

1. Define profit maximization.
2. Demonstrate with examples.

GRAPH AND EXPLAIN THE PATTERN OF SHORT-RUN AVERAGE AND MARGINAL COSTS

3. Define average costs and marginal costs.
4. Calculate and graph curves for both types of costs.

CALCULATE THE PRICE ELASTICITY OF DEMAND, IDENTIFY ITS DETERMINANTS, AND EXPLAIN ITS EFFECTS ON TOTAL REVENUE

5. Determine elasticity using the elasticity formula.
6. Define elastic, inelastic and unit elastic demand.
7. Discuss the factors that affect demand and cause changes.
8. Given the type of demand (i.e. elastic or inelastic) determine the affect on total revenue given a price change.

IDENTIFY THE DETERMINANTS OF ELASTICITY OF SUPPLY AND DIFFERENTIATE BETWEEN SHORT-RUN AND LONG-RUN SUPPLY ELASTICITY

9. Determine elasticity using the elasticity formula.
10. Define elastic, inelastic and unit elastic supply.
11. Discuss the factors that affect supply.
12. Discuss the market time frame (market, short-run, long-run).

EXPLAIN THE DERIVATION OF THE FIRM'S SHORT-RUN SUPPLY CURVE

13. Discuss the elasticity of supply over time.

II. CONSUMER BEHAVIOR AND COSTS

EXPLAIN THE THEORY OF UTILITY

1. Define utility.
2. Discuss how to calculate marginal utility and total utility.

IDENTIFY WHAT IS INVOLVED IN MAXIMIZING UTILITY

3. Discuss how to measure maximum utility.

DISCUSS CONSUMER SURPLUS

4. Define and discuss consumer surplus.
5. Calculate the level of consumer surplus.

DEFINE AND GRAPH TYPES OF COSTS (FIXED, VARIABLE, AVERAGE AND MARGINAL)

6. Define cost.
7. Discuss the nature of fixed costs and variable costs (per unit and in total).
8. Calculate average and marginal costs.

DISCUSS THE LAW OF DIMINISHING RETURNS AND ECONOMIES OF SCALE

9. Define law of diminishing returns and economies of scale.
10. Calculate marginal output and average total cost to demonstrate these theories.

DISCUSS HOW COSTS IN THE SHORT RUN AND LONG RUN AFFECT THE DECISION TO SHUT DOWN OR GO OUT OF BUSINESS

11. Discuss variable costs and total costs and compare these costs to total revenue.

III. MARKET TYPES

DEFINE THE CONDITIONS REQUIRED FOR: PERFECT COMPETITION, MONOPOLISTIC COMPETITION, OLIGOPOLY, AND MONOPOLY

1. Contrast and compare the four market types.
2. Discuss related costs and revenues.

EXPLAIN THE GRAPH OF A PERFECTLY COMPETITIVE FIRM MAXIMIZING PROFIT OR MINIMIZING LOSS IN THE SHORT RUN

3. Calculate and graph costs and revenue for a perfect competitor.
4. Discuss such costs in the short run.

GRAPHICALLY EXPLAIN THE RESULTS OF ENTRY OR EXIT ON PROFITS OR LOSSES IN THE LONG RUN IN PERFECT COMPETITION

5. Calculate and graph costs and revenue for a perfect competitor.
6. Discuss long run strategy in a perfectly competitive market.

**EXPLAIN THE GRAPH OF AN IMPERFECTLY COMPETITIVE FIRM
MAXIMIZING PROFIT OR MINIMIZING LOSS IN THE SHORT RUN**

7. Calculate and graph costs and revenue for an imperfectly competitive market (i.e. monopolistic, oligopoly, and monopoly).
8. Discuss such costs in the short run.

**EXPLAIN HOW BARRIERS TO ENTRY AFFECT THE PROFITABILITY AND
EFFICIENCY OF IMPERFECTLY COMPETITIVE FIRMS IN THE LONG RUN**

9. Relate barriers to entry in these imperfectly competitive markets to the cost and revenue curves.

IV. A PRIMER ON FINANCIAL ANALYSIS

**CALCULATE AND INTERPRET THE KEY PER SHARE DATA AND FINANCIAL
RATIOS FOR A GIVEN CORPORATION FROM ITS BALANCE SHEET AND
INCOME STATEMENT**

1. Using the Stock Market Game, complete trades on the New York Stock Exchange and NASDAQ.
2. Calculate financial ratios to evaluate stocks to be purchased.

**INTERPRET THE STOCK TABLES IN THE WALL STREET JOURNAL OR OTHER
ELECTRONIC SOURCE**

3. Track investments through the Stock Market Game. Stay current with the value of your team's portfolio.
4. Buy or sell investments based upon your knowledge of your company's industry.

**EVALUATE THE "FUNDAMENTALS" OF REAL-LIFE COMPANIES USING
VALUE LINE**

5. Use investment resources such as Value Line to evaluate your portfolio.

V. INTERNATIONAL ECONOMICS

**SUMMARIZE THE PATTERN OF TRADE BETWEEN THE US AND IT'S MAJOR
TRADING PARTNERS**

1. Discuss imports/exports and the US balance of trade for goods and services.
2. Define imbalance of trade.

APPRAISE THE DEBATE OVER FREE TRADE VERSUS PROTECTIONISM

3. Discuss the affect of government interference on international trade.
4. Define tariffs and quotas.

INTERPRET THE FOREIGN EXCHANGE TABLE BY COMPARING THE DOLLAR AGAINST THE EURO AND THE YEN

5. Using foreign exchange rates, calculate purchase prices for international products and services.

DIFFERENTIATE BETWEEN THE WINNERS AND LOSERS FROM AN APPRECIATING OR DEPRECIATING CURRENCY

6. Discuss ways to improve our balance of trade.
7. Explain how variations in exports/imports, interest rates, and inflation cause currencies to appreciate or depreciate.

EXPLAIN WHY THE DOLLAR IS CURRENTLY APPRECIATING/DEPRECIATING AGAINST THE EURO AND THE YEN

8. Discuss other countries' currencies and how the US dollar is doing in relation to them.