

36-206, MICROECONOMIC PRINCIPLES
SPRING 2009

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COURSE OBJECTIVES: This course will teach you how markets behave, and how firms and consumers behave in a market system. More detailed objectives for each exam are attached.

TEXT: Hubbard & O'Brian, Microeconomics

COURSE A grade of "C" or better in 67-104,-108, -204, or 67-171;
PREREQUISITES: or qualification to enroll in 67-171 via Math Placement Test.

WEEK	TOPIC	TEXT CHAPTERS
1 Feb 2-6	Introduction	Ch. 1
2 Feb 9-13	Specialization and Trade	Ch. 2
3 Feb 16-20	Supply and Demand;	Ch. 3
4 Feb 23-27	Elasticity	Ch. 6
5 Mar 2-6	TEST 1	
6 Mar 9-13	Markets and Government ,Taxes	Ch. 4
7 Mar 16-20	International Trade	Ch. 8
8 Mar 30-April 3	Labor Markets	Ch. 16
9 Apr 6-10	TEST 2	
10 Apr 13-17	Production and Cost	Ch. 7,10
11 Apr 20-24	Competitive Markets	Ch. 11
12 Apr 27-May 1	TEST 3	
13 May 4-8	Monopoly	Ch. 14,15
14 May 11-15	Imperfect Competition; TEST 4	Ch. 12,13

Grading:

Your course grade will be based on a curve, using total points earned. Four (4) tests will be given, together accounting for roughly 65-70% of your grade. They will be comprised of both multiple choice problems, and graphing problems. **The Final exam will be comprehensive.** Tentative dates are:

Midterm 1	Friday, Mar 6
Midterm 2	Friday, Apr 10
Midterm 3	Friday, May 1
Final Exam	Friday, May 15

No make-up midterms will be given. If you miss a midterm, your grade for that test will be based upon your score on the final exam. If you take all the midterms, and score higher on the final exam than on the average of the three midterms, your final will be weighted one half heavier in computing your final grade.

There will also be 2 tests, a pre-test and a post test, administered on D2L. Your combined score on those tests will account for another 10-15% of your grade. The remaining (roughly) 20% of your grade will be based on attendance, as well as a variety of take home assignments that will be given to you throughout the semester. All assignments will be handed out at the end of class, due the following class period; late assignments will be accepted **no more than** 24 hours late.

Objectives: 206 Midterm 1

Chapter 1

- Define scarcity.
- Identify the factors of production: land, labor, capital.
- Define opportunity cost.
- Choose an optimal allocation, using marginal analysis.
- Describe the concept of efficiency.
- Distinguish between normative and positive statements.

Chapter 2

- Graph the production possibilities for an individual.
- Graph the production possibilities for a group.
- Determine opportunity costs, comparative advantage, and terms of trade.
- Distinguish between constant opportunity cost tradeoffs, and increasing opportunity cost tradeoffs.

Chapter 3

- State the Law of Demand
- Identify income and substitution effects of a price change.
- Distinguish between Δ Demand and Δ Quantity demanded.
- Identify conditions for a competitive market.
- Distinguish between the short run and long run.
- Define the Law of Diminishing Returns.
- Calculate MPL, MC.
- Locate firm, industry SR supply curves
- Distinguish between Δ S and Δ Quantity supplied.
- Locate the market equilibrium.
- Describe the market response to any exogenous change.

Chapter 6

- Measure price, income, and cross price elasticities.
- Interpret price, income, and cross price elasticities.

Objectives: 206 Midterm 2

Chapter 3

- Distinguish between Δ Demand and Δ Quantity demanded.
- Distinguish between Δ S and Δ Quantity supplied.
- Locate the market equilibrium.
- Describe the market response to any exogenous change.

Chapter 6

- Measure price, income, and cross price elasticities.
- Interpret price, income, and cross price elasticities.

Chapter 4

- Determine the effects of price ceilings and floors.
- Determine the incidence of an excise tax.
- Describe the concept of efficiency.
- Explain why the competitive market equilibrium quantity is the efficient quantity
- Identify why taxation creates inefficiency; measure Welfare Loss.

Chapter 8

- Locate the equilibrium price, when two countries can trade a product.
- Measure the quantity each country would import or export at that price.
- Define "arbitrage".
- Identify and measure the net surplus gained from trade.
- Identify who gains and loses from trade.
- Determine the effects of a tariff on trade; measure the lost net surplus; identify the winners and losers.
- Determine the effects of a quota on trade; measure the lost net surplus; identify the winners and losers.

Chapter 16

- Calculate VMPL; choose optimal L.
- Distinguish between firm, industry, and economy demand for labor.
- Identify income and substitution effects of a wage rate change.
- Distinguish between firm, industry, and economy supply of labor.
- Define economic rent.
- Locate the various labor market equilibria.
- Describe the labor market responses to any exogenous change.

Objectives: 206 Midterm 3

Chapter 7

- Identify all the economic costs of production.
- Distinguish economic costs from accounting costs.
- Measure the annual cost of capital: interest costs and depreciation.
- Calculate the present value of some future amount of income.
- Given purchase price and future revenue, estimate the rate of return on an investment.

Chapter 10

- Measure ATC, AVC, MC.
- Graph ATC, AVC, MC.
- Calculate economic profit.
- Describe the sources of economies or diseconomies of scale.
- Distinguish between diseconomies of scale and diminishing returns.

Chapter 11

- Identify conditions for a competitive market.
- Locate the shut down point.
- Determine the profit maximizing quantity for a competitive firm.
- Measure profit numerically.
- Measure profit graphically.
- Locate the break even price.
- Determine the SR market equilibrium P and Q.
- Determine firm output at the SR equilibrium P.
- Identify whether entry or exit would occur in the LR.
- Distinguish between Constant cost and Increasing cost industries.
- Describe the LR Supply curve in either a constant cost or increasing cost industry.
- Locate the LR equilibrium in a constant cost industry.

Objectives: 206 Final

Note: Since the Final exam is comprehensive, all the objectives for the previous Chapters 1 - 4, 6 - 8, 10, 11, and 16, handed out before the three Midterm exams, apply to the Final exam as well.

Chapter 14

- Calculate a Monopolist's Marginal Revenue.
- Graph a Monopolist's Marginal Revenue curve.
- Locate the profit maximizing Monopoly P and Q, at $MR=MC$.
- Calculate and graph Monopoly profit.
- Describe why Monopoly is inefficient.
- Calculate and graph the efficiency loss due to Monopoly.
- Describe why Marginal Cost pricing is not feasible for a Natural Monopoly.
- Describe the advantages and disadvantages of Average Cost pricing for a regulated Natural Monopoly.

Chapter 15

- Describe the pricing pattern of a price discriminating Monopolist.
- Explain how price elasticity affects price discrimination.

Chapter 12

- Describe how Monopolistic Competitive firms behave like Monopolies.
- Describe how Monopolistic Competitive industries behave like Competitive Industries.

Chapter 13

- Describe what is meant by "Strategic Behavior" in Oligopoly.
- Explain why cartels are unstable.