

UNIVERSITY OF HAWAII AT MĀNOA
Department of Economics

ECON 130 (Section 004)
Principles of Economics (Micro)
<http://myuhportal.hawaii.edu>
<http://www.aplia.com>

Aplia™ Course Key: 3RCP-UFZ5-RXQT

Rev. 08/14/06

Semester: Fall 2006
Lecture: TR 10:30-11:45 AM
BUSAD A102

Instructor: Gerard “Jerry” RUSSO
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Teaching Assistant: William “B.J.” Awa
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or by appointment

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COURSE DESCRIPTION: This course examines how resources are allocated through market mechanisms. Students are trained to think like economists and analyze markets and other economic phenomenon with economic models. Topics include: supply and demand analysis; theory of consumer demand; theory of the firm including production and costs, perfect competition, monopoly, monopolistic competition and oligopoly; and public policy analysis of various issues including, but not limited to, excise taxation, externalities and market structure. The analytical skills required for successful completion of this course are elementary mathematical and graphical ability. Strong intuition and verbal skills can be partial substitutes for technical ability.

PREREQUISITE: None

TEACHING METHODOLOGY: Primarily lecture with some discussion, online homework.

TEXT (required): Mankiw, N. Gregory, *Principles of Microeconomics*, 4th edition, Thomson South-Western, 2007. (with Aplia™online access) ISBN: 0-324-36030-7.

APLIA™ONLINE HOMEWORK (required): <http://www.aplia.com>

COMPUTER LAB SCHEDULE: In order to facilitate timely completion of online homework assignments, computer labs have been reserved at the times and locations listed below. Your teaching assistant will be available each week at the Friday 1:00-3:00 PM lab to help with the economic content of the homework assignments. Contact your teaching assistant, Mr. William Awa for help and to confirm that you will be attending the lab session. TEL: TBA. E-mail: wawa@hawaii.edu

- **Fridays 10:00 AM-12:00 PM—PC Lab Saunders Hall 635**
- **Fridays 1:00 -3:00 PM—PC Lab Saunders Hall 635**

SPECIAL INSTRUCTIONS FOR APLIA™:

How to Use Aplia

Your total Aplia homework grade counts for 15% of your course grade. To start earning credit toward your Aplia score, follow these two steps:

Step 1: Register for Your Aplia Course

First Time Aplia Users:

1. Connect to <http://www.aplia.com>
2. On the Sign In page, click the Go button next to "Test Your System Configuration"; this takes just a few seconds and provides detailed information on how to update your system if necessary
3. Head back to the Sign In page and click the "Register Here" link
4. Fill out the form and click Continue. (You will need your UH Student ID Number and Course Section Number)
5. Enter your course key: **3RCP-UFZ5-RXQT**

Returning Aplia Users:

1. Connect to <http://www.aplia.com> and sign in using your usual e-mail and password
2. Enter your course key (above)

If you are having problems with registration or sign in, you can always e-mail Aplia by clicking on the "Help" link in the upper-right corner of any page or by e-mailing

support@aplia.com.

Step 2: Choose Your Payment Option (You have until 09/11/2006 to pay for your course and decide which option to choose)

You have several payment options. To find the right option for you, decide whether you want to purchase a physical textbook.

Note that your Aplia course includes a digital edition (online version) of the textbook. The physical text is optional.

Do you want to buy a physical textbook?

If No, simply pay for your Aplia course (\$60):

- Instructions on the Aplia website walk you through the payment process. There are several ways to pay. You can pay online with credit, debit, or electronic check. Aplia also accepts money orders mailed to: Aplia, Inc., 931 Terminal Way, San Carlos, CA 94070.

If Yes, choose from these two options:

1. Buy your physical textbook through Aplia (\$60 for Aplia, plus \$50 for the physical textbook plus shipping and handling)

- **First**, purchase your Aplia course. Instructions on the Aplia website walk you through the payment process. You can pay online with credit, debit, or electronic check. Aplia also accepts money orders mailed to: Aplia, Inc., 931 Terminal Way, San Carlos, CA 94070.
- **Next**, purchase your physical textbook from Aplia. After you pay for your Aplia course you can order a textbook through Aplia. Just sign into your Aplia course, click on the Bookstore link on your Home page, and follow the prompts to place your order.
- You can view Aplia's refund policy on textbooks in Aplia's Terms and Conditions of Use: <http://econ.aplia.com/af/support/terms.jsp>.

OR

2. Buy your physical textbook from the UH Bookstore (\$135.55).

- Textbooks from the UH Bookstore come bundled with an Aplia Payment Code. (It is in a shrink pack for this course: ECON 130 Section 005. The bundle contains the textbook and the Aplia Payment Code). Use the payment code to pay for your Aplia course online. The Aplia Payment Code covers a portion of or all of your Aplia course fee. Aplia does not refund courses paid for with an Aplia Payment Code. If you are considering dropping this course, you may wish to wait before opening your shrink pack.

Grace Period for Payment: You may register and use the website until 09.11.06 without paying the fee. If you are considering dropping this course during the drop/add period, do not make a payment until you decide to stay in the course. You need to pay the full amount before the end of the grace period to continue using the site.

Aplia assignments: Most assignments come in pairs of practice problem sets and graded problem sets. Practice problem sets give you immediate feedback and an explanation of the correct answer. They do not count toward your homework grade. Use them to check your understanding of the material. If you feel confident about the material, you can go directly to the graded set and refer to the practice set only if you want some help.

The graded problem sets have a firm due date. You can change your answers as many times as you like before the due date passes. Once the due date passes, Aplia records your grade and you can no longer change your answers or complete the assignment. In other words, Aplia assignments must be done by the due date. The software does not understand excuses. Do your assignments early to keep last minute emergencies from getting in your way. After the due date, Aplia displays the correct answers and explanations for graded problems.

Student benefits of Aplia: Cramming is an ineffective learning method. Aplia lets you learn by doing - you can apply what you hear and see in the classroom and what you read in the text. Think of the regular assignments on Aplia as a weekly Economics workout. Regular work in Aplia will better prepare you for lectures and exams.

FREQUENTLY ASKED QUESTIONS REGARDING APLIA™

What is an Aplia Payment Code and how can I get one?

The Aplia Payment Code is just another way to pay your Aplia course fee. You can find it bundled with your text. Your Aplia Payment Code is different from your Aplia Course Key. The course key allows us to identify your economics class and professor; the payment code tells us that you prepaid your entire Aplia course fee when you purchased the code. An Aplia Payment Code follows the format of xxxxx-xxx-xxxxx-xxx and is printed on a separate card included with your textbook.

What if I purchase a payment code after paying for Aplia with my credit/debit card or

electronic check?

We can refund your payment. To speed up the refund process, sign into your Aplia course and go to the My Account tab. Click on My Courses, and enter your payment code. You will then receive an automatic refund.

Under what circumstances can I get a refund?

Refund Policy: You are entitled to a refund if you submit a refund request to Aplia during the original grace period for payment. The grace period for your course expires on 09.11.06. No refunds will be granted after this date. Requests for refunds must be submitted by email or letter and received by Aplia within the stipulated time period. Contact support@aplia.com or write to Aplia Inc., 931 Terminal Way, San Carlos, California 94070 USA, to request a refund. Note: No refunds are issued for courses paid for with an Aplia Payment Code under any circumstances.

How do I access my textbook on the Aplia website?

A digital version of your textbook is available in your Aplia course. You can access textbook chapters on the Home page or through your weekly assignments.

Disclaimer: Professor Russo receives no monetary benefit from requiring Aplia assignments.

GRADE DETERMINATION: Plus/minus grades will be based upon, class attendance, Aplia™online homework assignments, 2 midterm exams and a final exam weighted in the following fashion:

Class Attendance	15.0% (30 points)
Aplia™Online Homework	15.0% (30 points)
Mid-term exam #1 (09/26/2006)	20.0% (40 points)
Mid-term exam #2 (11/09/2006)	20.0% (40 points)
Final exam (12/12/2006)	<u>30.0% (60 points)</u>
TOTAL	100.0% (200 points)

Examinations will consist of multiple choice questions. Examinations are closed-note, closed-book. Please bring official University of Hawaii picture identification on examination days. Please bring several sharpened number two pencils. Calculators are permitted. Dictionaries are not permitted.

PLEASE NOTE: Attendance at all examinations is mandatory. No make-up examinations will be offered under any circumstances. Students who do not sit for an exam will receive zero (0) points and

a “ F” letter grade on that examination. This will adversely affect the students’ course grade. Students who miss any of the above scheduled examinations are advised to withdraw from the course at their earliest opportunity. Letter grades are assigned on the University of Hawaii plus/minus grading system. Class attendance is required. Students unable to attend the course lectures as scheduled should withdraw immediately. Attendance will be measured through a sign-in system. Students unable to attend the entire lecture should not sign-in. Because attendance will count toward course credit, abuse of the sign-in system will be treated as academic dishonesty. There are no excused absences. There are no excused exams. There are no excused homework assignments. The course operates on a no excuses basis throughout. Complete your online homework assignments in advance of the due dates.

Students traveling on official University activities (e.g., students on athletic teams, band, etc.) are expected to complete their online homework while on travel. Contact your team/department academic advisor and request a laptop computer and internet access for use from your hotel/motel room or other travel location. Students on official travel may take examinations at their travel destination with advance approval, if their official travel schedule conflicts with the examination dates. Contact your head coach, academic advisor and/or other responsible University employee and request assistance with this matter. Please be aware that all absences from the classroom are considered un-excused. However, grades for attendance will be sufficiently curved to allow for a small amount of time for travel, illness and/or family emergency.

The KOKUA Program provides academic access services to students with documented physical and/or mental disabilities. E-mail: kokua@hawaii.edu. Web: www.hawaii.edu/kokua.

TENTATIVE COURSE SCHEDULE

<u>Reading Assignment</u>	<u>Topic</u>	<u>Date</u>
Chapter 1, pp. 1-17. Chapter 2, pp. 19-46.	<u>LECTURE 1:</u> Introduction Fundamental Principles of Scarcity and Choice Economic Methodology Partial Equilibrium Analysis vs. General Equilibrium Analysis Model Building: Equilibrium Analysis Optimization Analysis Positive vs. Normative Economics Microeconomics vs. Macroeconomics Mathematics and Graphics in Economics Economic Goals of Society Growth Full Employment Equity Efficiency Stability Economic Resources: Land Labor Capital Entrepreneurial Ability Technical Efficiency vs. Allocative Efficiency Efficient Resource Allocation	Tuesday, August 22, 2006
Chapter 3, pp. 47-60.	<u>LECTURE 2:</u> Introduction (continued): Economic Methodology Production and Exchange: Production Possibilities Frontier (PPF) Opportunity Cost	Thursday, August 24, 2006
	<u>LECTURE 3:</u> Production and Exchange (continued): Comparative Advantage Absolute Advantage Gains from Trade	Tuesday, August 29, 2006

Chapter 4,
pp. 63-87.

LECTURE 4:
Supply and Demand Analysis:
Determinants of Demand
 Prices
 Income
 Tastes
 Expectations
Normal Goods
Inferior Goods
Complementary Goods
Substitute Goods
Determinants of Supply
 Output Prices
 Input Prices
 Technology
 Weather
 Expectations

Thursday, August 31, 2006

LECTURE 5:
Supply and Demand Analysis (continued):
Market Equilibrium
Price Ceilings and Price Floors
Economic Surpluses and Economic Shortages
Comparative Static Analysis

Tuesday, September 5, 2006

Chapter 5,
pp. 89-111.
Chapter 6,
pp. 113-134.

LECTURE 6:
Supply and Demand Analysis (continued):
Elasticities
 Elasticity (sensitivity, responsiveness)
 Price Elasticity of Demand
 Relationship to Total Revenue
 Substitutability - The Key to Elasticity
 Measurement - Arc Elasticity vs. Point Elasticity
 Income Elasticity of Demand
 Cross-Price Elasticity of Demand
 Price Elasticity of Supply

Thursday, September 7, 2006

Chapter 7,
pp. 137-158

LECTURE 7: Tuesday, September 12, 2006
Supply and Demand Analysis (continued):
Willingness-To-Pay as a Measure of Social Welfare
Consumer Surplus and Producer Surplus
The Demand Curve: A Measure of Marginal Social
Benefit
The Supply Curve: A Measure of Marginal Social Cost

Chapter 8,
pp. 159-175

LECTURE 8: Thursday, September 14, 2006
Application: The Incidence of Excise Taxes

LECTURE 9: Tuesday, September 19, 2006
Application: The Incidence of Excise Taxes
(continued)

Chapter 9,
pp. 177-199

LECTURE 10: Thursday, September 21, 2006
Application: International Trade

REVIEW SESSION

Date: TBA

Time: TBA

Room: TBA

LECTURE 11: **Tuesday, September 26, 2006**
MIDTERM EXAM #1
40 Multiple Choice

Chapter 21,
pp. 455-481.

LECTURE 12: Thursday, September 28, 2006
Modeling Consumer Behavior
Consumer Theory:
Budget Lines
Prices and Income
Revealed Preference
Rationality
Non-satiation ("more is preferred to less")
Dominated Region
Preferred Region

LECTURE 13: Tuesday, October 3, 2006
Consumer Theory (continued):
Application: Simultaneous Income and Relative Price Changes
with Possible Consumer Responses Delineated via
Revealed Preference

LECTURE 14: Thursday, October 5, 2006
Consumer Theory (continued):
Preferences, Tastes
Utility Theory
Utility Functions
Cardinal Utility vs. Ordinal Utility
Indifference Curves
Application: Transfers in Cash vs. Transfers in Kind

LECTURE 15: Tuesday, October 10, 2006
Consumer Theory (continued):
Derivation of a Demand Curve
Income and Substitution Effects
Giffen Goods

LECTURE 16: Thursday, October 12, 2006
Consumer Theory (continued):
Derivation of a Demand Curve (continued)
Income and Substitution Effects (continued)
Giffen Goods (continued)

LECTURE 17: Tuesday, October 17, 2006
Consumer Theory (continued):
Income and Substitution Effects (continued)
Giffen Goods (continued)

Chapter 13,
pp. 267-287.

LECTURE 18: Thursday, October 19, 2006
Theory of the Firm: Production
Production Functions
Total Product
Average product
Marginal Product
Technical Efficiency
Stages of Production

LAST DAY TO WITHDRAW (with “W” grade) Friday October 20 2006

LECTURE 19: Tuesday, October 24, 2006
Theory of the Firm: Duality
The Relation Between Product Curves and
Cost Curves

LECTURE 20: Thursday, October 26, 2006
Theory of the Firm: Cost Curves
Variable Costs
Fixed Costs
Sunk Costs
Opportunity Cost
Total Cost
Total Fixed Cost
Total Variable Cost
Marginal Cost
Average Total Cost
Average Variable Costs
Short Run Cost Curves
Long Run Cost Curves
Economies of Scale
Economies of Scope

Chapter 14,
pp. 289-309.

LECTURE 21: Tuesday, October 31, 2006
Theory of the Firm: Perfect Competition
Many Firms
Price Taking Behavior
Homogeneous Product
Free Entry and Exit
Economic Profits vs. Normal Profits
Opportunity Costs
Profit Maximization
Total Revenue
Average Revenue
Marginal Revenue
The Individual Firm in Equilibrium

LECTURE 22: Thursday, November 2, 2006
Perfectly Competitive Industry:
Short-Run Supply Curve of the Firm
Short-Run Supply Curve of the Industry
Long-Run Equilibrium for the Firm

Perfectly Competitive Industry (continued):
 Long-Run Supply Curve for the Industry
 Increasing Cost Industry
 Constant Cost Industry
 Decreasing Cost Industry
Welfare Implications of Competitive Market Structure

REVIEW SESSION

Date: TBA
Time: TBA
Room: TBA

LECTURE 23: Thursday, November 9, 2006
MIDTERM EXAM #2
40 Multiple Choice

Chapter 15,
pp. 311-343.

LECTURE 24: Tuesday, November 14, 2006
Theory of the Firm: Monopoly
 One Firm
 Price Making Behavior
 Homogeneous Product
 Barriers to Entry
 Profit Maximization
 Revenue (Sales) Maximization
 Welfare Implications of Monopoly Pricing

LECTURE 25: Thursday, November 16, 2006
Monopoly (continued):
 Price Discrimination
 Arbitrage
 1st Degree Price Discrimination (Perfect)
 2nd Degree Price Discrimination
 3rd Degree Price Discrimination
 Equity and Welfare Implications
Natural Monopoly

Chapter 17,
pp. 373-387.

LECTURE 26:

Tuesday, November 21, 2006

Theory of the Firm: Monopolistic Competition

Many Firms

Price Taking Behavior

Differentiated Products

Free Entry and Exit

Advertising

Chapter 16,
pp. 345-371.

LECTURE 27:

Tuesday, November 28, 2006

Theory of the Firm: Oligopoly

Few Firms

Price Making Behavior

Homogeneous or Differentiated Products

Barriers to Entry

Kinked Demand Curve Model

Price Leadership

Dominant Firm Model

Game Theory

Dominant Strategy

Pure Strategy

Mixed Strategy

Nash Equilibrium

Prisoners' Dilemma

Chapter 18,
pp. 393-412.

LECTURE 28:

Thursday, November 30, 2006

Factor Markets: Labor

Competitive Model

Derived Demand for Labor

Value of the Marginal Product (VMP)

Marginal Revenue Product (MRP)

Chapter 19,
pp. 413-430.

LECTURE 29:

Tuesday, December 5, 2006

Factor Markets: Labor

Supply of Labor

Wages

Average Factor Cost

Marginal Factor Cost

Backward Bending Supply

Labor Markets (continued)

Imperfect Labor Markets

Monopsony

Unions
Bilateral Monopoly
Countervailing Power
Welfare Implications of Union Wage Policies
The Theory of the Second-Best

Chapter 11,
pp. 223-239.
Chapter 10,
pp. 203-222.

LECTURE 30:
Market Failure:

Thursday, December 7, 2006

Public Goods
Free-Rider Problem
Market Failure (continued):
Externalities
Coase Theorem
Corrective Taxation
Pollution Rights
Polluting Monopolists and the Theory of Second-Best

REVIEW SESSION

Date: TBA
Time: TBA
Room: TBA

FINAL EXAM

Tuesday, December 12, 2006

9:45-11:45 AM

BUSAD A102