**Course Information**

**Fall 2008**

**Econ 130 – “Principles of Microeconomics”**
**John Lynham**

**Course Description:**

Economics is the study of the use of scarce resources to satisfy human wants. In microeconomics, we study how these scarce resources are allocated within the market system. Topics include: division of labor, comparative advantage, supply and demand analysis, price ceilings/floors, taxes, monopoly, price discrimination, cartels, wages, pollution and failures of the market system. Mathematical skills beyond simple algebra and graphical analysis are not required in this course. This course meets the diversification requirement (DS) of Gen Ed requirements for social sciences.

**Student Learning Objectives:**

The main objective of this course is to give students a broad understanding of the choices people make in using scarce resources to meet their wants. On completion of the course students should be able to:

- Explain basic microeconomic terms, concepts and theories
- Apply economic reasoning to real-world situations
- Communicate economic reasoning to others in writing

**Main Text:**


**Other Texts that are not required but might interest you:**

*Principles of Microeconomics* by N. Gregory Mankiw. This is a very popular textbook and is available in the UH bookstore.


*Murder at the Margin* by Marshall Jevons. This is an extremely cheesy book about an Econ professor on a Caribbean island who solves a murder mystery using the tools of economics!

*Free Lunch – Easily Digestible Economics* by David Smith. This is an easy-to-read book that introduces some of the topics we will discuss in class.
## Syllabus

<table>
<thead>
<tr>
<th>Week</th>
<th>Dates</th>
<th>Main Topics</th>
<th>Chapters to read</th>
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<tbody>
<tr>
<td>1</td>
<td>Aug 26 and 28</td>
<td>Opportunity Cost, Division of Labor, Economic Method</td>
<td>1</td>
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<tr>
<td>2</td>
<td>Sept 2 and 4</td>
<td>Comparative Advantage, Marginal Utility</td>
<td>1, 7, 5</td>
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<td>3</td>
<td>Sept 9 and 11</td>
<td>Demand, Supply,</td>
<td>2</td>
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<tr>
<td>4</td>
<td>Sept 16 and 18</td>
<td>Equilibrium, Price Ceilings, Price Floors</td>
<td>2</td>
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<tr>
<td>5</td>
<td>Sept 23 and 25</td>
<td>Elasticity</td>
<td>3</td>
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<tr>
<td>6</td>
<td>Sept 30 and Oct 2</td>
<td>Taxes, Subsidies</td>
<td>3</td>
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<tr>
<td>7</td>
<td>Oct 7 and Oct 9</td>
<td>Short Run/Long Run Cost Curves, Perfect Competition</td>
<td>8, 9</td>
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<tr>
<td>8</td>
<td>Oct 14 and 16</td>
<td>Review, MID-TERM</td>
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<tr>
<td>9</td>
<td>Oct 21 and 23</td>
<td>Monopoly, Price Discrimination</td>
<td>10</td>
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<tr>
<td>10</td>
<td>Oct 28 and 30</td>
<td>Monopolistic Competition</td>
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<td>11</td>
<td>Nov 6</td>
<td>Cartels</td>
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<td>12</td>
<td>Nov 13</td>
<td>Wages, Monopsony,</td>
<td>14</td>
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<td>13</td>
<td>Nov 18 and 20</td>
<td>Labor Unions</td>
<td>17</td>
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<td>14</td>
<td>Nov 25</td>
<td>Market Failures, Tragedy of the Commons</td>
<td>15, 4</td>
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<tr>
<td>15</td>
<td>Dec 2 and 4</td>
<td>Coase Theorem, Pollution</td>
<td>6</td>
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<tr>
<td>16</td>
<td>Dec 9 and 11</td>
<td>Information and Uncertainty, Review</td>
<td>16</td>
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### Quizzes

- There will be a quiz every week except Weeks 8, 11 and 14. The quiz will be at the end of Thursday’s lecture.
- Each quiz will consist of five multiple-choice questions. An aggregate quiz grade will be computed from these quizzes, which will count towards your overall course grade. Your lowest quiz score will be dropped. Questions will be based on the text and lectures.

### Examinations and Grades

1. There will be one mid-term exam (1 hour and fifteen minutes) on Thursday 16th October and a final exam on Tuesday December 16th at 12pm. The mid-term will consist of fifteen multiple-choice questions (which should take about forty-five minutes) and an essay question (which should take about thirty minutes). The final will consist of fifteen multiple-choice questions (forty-five minutes) and an essay question (thirty minutes).
The multiple-choice questions will be based on the text and lectures equally. The essay question will be based on a topic I cover in my lectures. Sample essay questions are attached.

2. The overall course grade will be computed from:
   \[ C = 10\% \text{Quizzes} + 45\% \text{Midterm} + 45\% \text{Final} \]
Both the Midterm and Final grades will be computed as follows: Midterm and Final = (multiple choice score) + (essay score) and essay score equals 10 (very good), 5 (average) or 0 (fail). In other words, it is very hard to pass this class if you do not do pass the essay. There will be a choice of one out of two essay questions.

There will be no make-ups for either the mid-term or the final.

Office Hours and Web Site

My Office Hours are on Tuesdays from 3-5pm in Saunders Hall 507. My e-mail address is lynham@hawaii.edu.

The TA, _______________, will hold office hours on ____________________. His/Her email address is ___________________.

The course website is: http://www2.hawaii.edu/~lynham/ECON130/
Econ 130 Essay Questions

Midterm Essay Questions

1. "Money is the root of all evil". Despite this obvious drawback, there are some benefits to a money-based economy. Explain them.
2. Write an essay on the determinants of demand.
3. Write a short essay on Adam Smith’s contribution to economics.
4. Write an essay on the determinants of supply.
5. Explain how markets operate as signaling mechanisms, information transmitters and coordinating devices.
6. What are the benefits of advertising? What are some of the disadvantages?
7. The GDP per capita of Bangladesh is $2,000; the GDP per capita of the USA is $40,100. Provide some explanation for this difference.
8. Why is it wrong to criticize a theory by criticizing the assumptions on which it is based? What criterion would you use to evaluate a theory?
9. Assume that the United States is better, in an absolute sense, at producing everything than Mexico produces things. Explain, nonetheless, why the US still imports goods from Mexico.
11. If you were given the $40 necessary to gain admittance to Disneyland, explain why you wouldn't ride the same roller coaster all the time. How would you allocate your time?
12. Why did Billy Rose, famous impresario of the Ziegfield Follies in the nineteen twenties, and also the world's champion stenographer, never take dictation (except when practicing for the world championship)?
13. Explain the distributional consequences (i.e., who gains and who loses) of a price ceiling on cars that is enforced at the manufacturing level but not at the retail level.
14. Explain what happened when a price ceiling was imposed on gasoline during the 1973-74 "Energy Crisis".
15. Prolonged use of marijuana is, like most drugs, harmful to the user. Explain, nonetheless, why some economists advocate for the legalization of its use.
16. What are the determinants of the own-price elasticity of demand? Explain.
17. What causes the so-called "farm problem"? Explain one program that has been implemented to combat this problem.
18. What caused the infamous Butter Mountain and Wine Lake in the European Union?
19. Examine what would be the likely effect of placing a tax on a luxury good? If you were in charge of raising tax revenue for the state of Hawaii, what types of goods would you tax and why?
20. What dictates the burden of an excise tax?
21. What are some of the consequences of introducing rent controls?
22. Write a short essay about Steven Levitt's contribution to economics.
Essay Questions for the Final

1. Explain what the supply curve of a perfectly competitive firm corresponds to.
2. Why do firms continue to operate when they are making losses?
3. Compare and contrast long run equilibrium under perfect competition with long run equilibrium under:
   (i) a monopoly protected by a patent
   (i) monopolistic competition
4. Why would you regulate a natural, or technical, monopoly and how?
5. Assume that you are the economic advisor to the Hawaii Public Utilities commission. What regulatory alternatives would you consider?
6. Why do airlines charge students less for flights than their professors?
7. What are the necessary conditions for producers to price discriminate? Explain.
8. Write a short essay about Ronald Coase's contribution to economics.
9. Write an essay on "market failure".
10. What are the economic reasons for why chickens are never going to become extinct whereas whales and polar bears may well become extinct?
11. How would a joint-profit maximizing collusive oligopoly:
   a) set its total output?
   b) allocate that output between its participants?
12. Write an essay about the minimum wage.
13. Why does Kelly Slater make more money than John Lynham?
14. Explain how labor unions raise the relative wage of their members.
15. Explain why some labor unions are much more effective in raising the relative wage of their members than other labor unions.
16. Assume that an industry is monopolistically competitive and that existing producers are making a super-normal profit. What will happen and why?
17. Why are economists so enamored of the long run equilibrium outcome under perfect competition?
18. Explain how a monopsonist exploits its labor force.
19. Why is the optimal level of pollution in general not zero pollution?
20. Explain how you would tax pollution in order to obtain the optimal level of pollution.
21. Explain the “Tragedy of the Commons”. What are some potential solutions?
22. If a monopsonist’s labor force becomes unionized, collective bargaining may raise both the wage rate and the level of employment. Explain.