

Econ 130A – “Principles of Microeconomics” Honors – Fall 2009
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:

Introduction to Microeconomics by Edwin G. Dolan. ISBN: 1-932856-70-6. This book is available from the UH Bookstore.

Other Texts that are not required but might interest you:

Freakonomics by Steven Levitt and Stephen Dubner. This book spent 98 weeks on the New York Times bestseller list. It looks at the economics behind drug-dealing, corruption in sumo wrestling, baby names and other diverse subjects.

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!

Online Resources

Lecture notes, practice problems and grades will be posted on Laulima (<https://laulima.hawaii.edu/>).

Syllabus

<u>Week</u>	<u>Main Topics</u>	<u>Quiz on Thursday</u>	<u>Chapters to read</u>
1	Opportunity Cost, Division of Labor, Economic Method	No	1
2	Comparative Advantage, Supply and Demand	Yes	2
3	Equilibrium, Price Ceilings, Price Floors,	Yes	2
4	Elasticity	Yes	3
5	Taxes	Yes	3
6	FIRST MID-TERM	No	
7	Taxes, Trade	Yes	5, 7
8	Short Run/Long Run Cost Curves, Perfect Competition	Yes	8, 9
9	Monopoly, Price Discrimination	Yes	10
10	Monopolistic Competition Cartels	Yes	11
11	Labor Markets	Yes	14
12	SECOND MID-TERM	No	
13	Monopsony, Labor Unions	Yes	17
14	Externalities and Market Failure, Coase Theorem,	Yes	15, 4
15	Tragedy of the Commons, Pollution	Yes	6
16	Review	No	

Quizzes

- There will be a quiz every week except the first week, last week and the midterm weeks. The quiz will be at the end of Thursday's lecture.
 - Each quiz will consist of five multiple-choice questions. An average quiz grade will be computed from these quizzes, which will count towards your overall course grade.
 - Your lowest **TWO** quiz scores will be dropped when calculating your average.
- Questions will be based on material covered in the previous two to three lectures.

Examinations and Grades

1. There will be TWO mid-term exams (each 1 hour and fifteen minutes long). There will also be a final exam. The midterms and final 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 essay question will be based on a topic I cover in my lectures. Possible essay questions are attached. The midterms are not cumulative, the final is.
2. The overall course grade will be computed from:

$$\text{Grade} = 10\% \text{Quizzes} + 20\% \text{Midterm1} + 20\% \text{Midterm2} + 50\% \text{Final}$$

Both the midterm and final grades will be computed as follows:

$$\text{Overall score (0-25 points)} = \text{multiple-choice (0-15 points)} + \text{essay (0-10 points)}$$

It is very hard to pass this class if you do not perform well on the essay portion.

There will be a choice of one out of two essay questions chosen from a list of ten questions (see the next page).

Cheating, of any sort, will not be tolerated. Any student caught cheating on any quiz, midterm or final will be given an F for the entire course grade and will be reported to the University for any other disciplinary action, including the possibility of getting suspended or expelled from the University.

There will be no make-ups for either the midterms or the final. There are only two exceptions to this rule: a note from a doctor confirming an illness or a note from the university confirming an absence for university-related business. If you email me after a mid-term to say that you were sick but cannot provide written verification, I will not arrange a make-up.

There are no extra credit options.

Office Hours

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

Econ 130A Essay Questions

FIRST MIDTERM

Essay Question #1 will be chosen from the following:

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. Why do many economists believe that textbooks are overpriced?
4. Write an essay on the determinants of supply.
5. What are the benefits of advertising? What are some of the disadvantages?

Essay Question #2 will be chosen from the following:

1. 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?
2. Explain what happened when a price ceiling was imposed on gasoline during the 1973-74 "Energy Crisis".
3. What are the determinants of the own-price elasticity of demand? Explain.
4. What causes the so-called "farm problem"? Explain one program that has been implemented to combat this problem.
5. What caused the infamous Butter Mountain and Wine Lake in the European Union?

SECOND MIDTERM

Essay Question #1 will be chosen from the following:

1. 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?
2. What dictates the burden of an excise tax?
3. There are many arguments for and against the legalization of recreational drugs like alcohol and marijuana. What are the economic arguments in favor of legalizing recreational drug use?
4. 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.
5. Explain what the short-run supply curve of a perfectly competitive firm corresponds to.

Essay Question #2 will be chosen from the following:

1. Why do firms continue to operate when they are making losses?
2. Why are economists so enamored of the long run equilibrium outcome under perfect competition?

3. Why do airlines charge students less for flights than their professors?
4. What are the necessary conditions for producers to price discriminate? Explain.
5. Why would you regulate a natural monopoly and how would you do it?

FINAL

Essay Question #1 will be chosen from the following:

1. Compare and contrast equilibrium under monopoly with long run equilibrium under monopolistic competition.
2. Write an essay on "market failure".
3. What are the economic reasons for why chickens are never going to become extinct whereas whales and polar bears may well become extinct?
4. Write an essay about the minimum wage.
5. Explain how labor unions raise the relative wage of their members.

Essay Question #2 will be chosen from the following:

1. Explain why some labor unions are much more effective in raising the relative wage of their members than other labor unions.
2. Why is Colt Brennan “exploited” in the labor market but John Lynham is not?
3. Explain how you would tax pollution in order to obtain the optimal level of pollution.
4. Over-fishing is often described as a “Tragedy of the Commons”. What does this mean and what are some potential solutions?
5. In a monopsony labor market, a union can raise both the wage of its members and the number employed. Explain how this is possible.