

**UNIVERSITY OF HAWAII AT MĀNOA**  
**Department of Economics**

**Fall 2009**  
**Course Syllabus**  
**ECON 130 (Section 002)**  
**Principles of Microeconomics**

<http://laulima.hawaii.edu>

<http://www.aplia.com>

**Aplia™ Course Key: SZRK-J9GN-BMZS**

Revised 04/30/2009

Subject to further revision.

Semester: Fall 2009  
Lecture: TR 10:30-11:45 AM  
BUSAD A102

Instructor: Gerard “Jerry” RUSSO  
Office Hours: TR 1:30-2:30 PM  
or by appointment

Office: Saunders Hall, Rm 515B

Phone: 956-7065

E-mail: [russo@hawaii.edu](mailto:russo@hawaii.edu)

Teaching Assistant:

Office:

Office Hours:

Phone:

E-mail:

**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 strong high school algebra skills, with elementary mathematical and graphical ability. Strong intuition and verbal skills can be partial substitutes for technical ability.

**STUDENT LEARNING OUTCOMES:** Upon completion of the courses, students should be able: to analyze at a basic level the impact of taxation, regulation, technical change and costs on market prices and output under various assumptions regarding market structure including, perfect competition, monopoly, oligopoly, and monopolistic competition; to understand the determinants of consumer demand including, prices and income; to analyze at a basic level situations, such as public goods, externalities and imperfect information, where market failures are likely to occur and government action is potentially justified.

PREREQUISITE: None

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

TEXT (required): Mankiw, N. Gregory, *Principles of Microeconomics*, 5<sup>th</sup> edition, South-Western Cengage Learning, 2009. (with Aplia™ online access) ISBN: 978-0324-59892-6.

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

COMPUTER LAB SCHEDULE: In order to facilitate timely completion of online homework assignments, a computer lab is reserved for class use. The lab schedule is as follows:

- TBA

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 (09/29/2009)	20.0% (40 points)
Mid-term exam #2 (11/10/2009)	20.0% (40 points)
Final exam (12/13/2009)	<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 an appropriate 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](mailto:kokua@hawaii.edu). Web: [www.hawaii.edu/kokua](http://www.hawaii.edu/kokua).**

TENTATIVE COURSE SCHEDULE

<u>Reading Assignment</u>	<u>Topic</u>	<u>Date</u>
Chapter 1, pp. 3-19. Chapter 2, pp. 21-48.	<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 25, 2009
Chapter 3, pp. 49-62.	<u>LECTURE 2:</u> Introduction (continued): Economic Methodology Production and Exchange: Production Possibilities Frontier (PPF) Opportunity Cost	Thursday, August 27, 2009
	<u>LECTURE 3:</u> Production and Exchange (continued): Comparative Advantage Absolute Advantage Gains from Trade	Tuesday, September 1, 2009

Chapter 4,  
pp. 65-88.

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, September 3, 2009

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

Tuesday, September 8, 2009

Chapter 5,  
pp. 89-111.  
Chapter 6,  
pp. 113-133.

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 10, 2009

Chapter 7,  
pp. 137-157

LECTURE 7: Tuesday, September 15, 2009  
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 17, 2009  
Application: The Incidence of Excise Taxes

LECTURE 9: Tuesday, September 22, 2009  
Application: The Incidence of Excise Taxes  
(continued)

Chapter 9,  
pp. 177-199

LECTURE 10: Thursday, September 24, 2009  
Application: International Trade

REVIEW SESSION

Date: TBA

Time: TBA

Room: TBA

LECTURE 11: **Tuesday, September 29, 2009**  
**MIDTERM EXAM #1**  
40 Multiple Choice

Chapter 21,  
pp. 457-482.

LECTURE 12: Thursday, October 1, 2009  
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 6, 2009

Consumer Theory (continued):

Application: Simultaneous Income and Relative Price Changes with Possible Consumer Responses Delineated via Revealed Preference

LECTURE 14: Thursday, October 8, 2009

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 13, 2009

Consumer Theory (continued):

Derivation of a Demand Curve

Income and Substitution Effects

Giffen Goods

LECTURE 16: Thursday, October 15, 2009

Consumer Theory (continued):

Derivation of a Demand Curve (continued)

Income and Substitution Effects (continued)

Giffen Goods (continued)

LECTURE 17: Tuesday, October 20, 2009

Consumer Theory (continued):

Income and Substitution Effects (continued)

Giffen Goods (continued)

Chapter 13,  
pp. 267-287.

LECTURE 18: Thursday, October 22, 2009

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 23, 2009**

LECTURE 19: Tuesday, October 27, 2009  
Theory of the Firm: Duality  
The Relation Between Product Curves and  
Cost Curves

LECTURE 20: Thursday, October 29, 2009  
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. 289-310.

LECTURE 21: Tuesday, November 3, 2009  
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 5, 2009  
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:

**Tuesday, November 10, 2009**

**MIDTERM EXAM #2**

40 Multiple Choice

Chapter 15,  
pp. 311-343.

LECTURE 24:

Thursday, November 12, 2009

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:

Tuesday, November 17, 2009

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 16,  
pp. 345-364.

LECTURE 26: Thursday, November 19, 2009  
Theory of the Firm: Monopolistic Competition  
Many Firms  
Price Taking Behavior  
Differentiated Products  
Free Entry and Exit  
Advertising

Chapter 17,  
pp. 365-388.

LECTURE 27: Tuesday, November 24, 2009  
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. 391-412.

LECTURE 28: Tuesday, December 1, 2009  
Factor Markets: Labor  
Competitive Model  
Derived Demand for Labor  
Value of the Marginal Product (VMP)  
Marginal Revenue Product (MRP)

Chapter 19,  
pp. 413-431.

LECTURE 29: Thursday, December 3, 2009  
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. 225-240.  
Chapter 10,  
pp. 203-223.

LECTURE 30: Tuesday, December 8, 2009  
Market Failure:  
Public Goods  
Free-Rider Problem

LECTURE 31: Thursday, December 10, 2009  
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 13, 2009**  
**9:45-11:45 AM**  
**BUSAD A102**