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.


APLIA™ ONLINE HOMEWORK (required): http://econ.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 Monday lab 3:00-5:00 PM and Friday lab 10:00 AM - 12:00 PM to help with the economic content of the homework assignments. Contact your teaching assistant, Mr. Hee-Ryang “Stephen” Ra for help and to confirm that you will be attending the lab session. TEL: 956-8347. E-mail: heeryang@hawaii.edu

• Mondays 3:00-5:00 PM—PC Lab Saunders 342
• Fridays 10:00 AM-12:00 PM—PC Lab Saunders 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://econ.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: GPSW-CCWL-L5K5

Returning Aplia Users:

1. Connect to http://econ.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
Step 2: Choose Your Payment Option (You have until 01/31/2006 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 and $5 in 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.


OR

2. **Buy your physical textbook from the UH Bookstore ($94.50).**
Textbooks from the UH Bookstore come bundled with an Aplia Payment Code. (It is in a shrink pack for this course: ECON 130 Section 004. The bundle contains the textbook, the study guide 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 01.31.06 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 01.31.06. 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:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Attendance</td>
<td>15.0%</td>
</tr>
<tr>
<td>Aplia™ Online Homework</td>
<td>15.0%</td>
</tr>
<tr>
<td>Mid-term exam #1 (02/14/2006)</td>
<td>20.0%</td>
</tr>
<tr>
<td>Mid-term exam #2 (04/06/2006)</td>
<td>20.0%</td>
</tr>
<tr>
<td>Final exam (05/11/2006)</td>
<td>30.0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

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.
### TENTATIVE COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Reading Assignment</th>
<th>Topic</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 3, pp. 45-59.</td>
<td><strong>LECTURE 2:</strong> Introduction (continued): Economic Methodology <strong>Production and Exchange:</strong> <em>Production Possibilities Frontier (PPF)</em> Opportunity Cost</td>
<td>Thursday, January 12, 2006</td>
</tr>
<tr>
<td></td>
<td><strong>LECTURE 3:</strong> Production and Exchange (continued): <em>Comparative Advantage</em>, <em>Absolute Advantage</em>, <em>Gains from Trade</em></td>
<td>Tuesday, January 17, 2006</td>
</tr>
</tbody>
</table>
Chapter 4, pp. 63-88.

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

Lecture 5: Tuesday, January 24, 2006
Supply and Demand Analysis (continued):
  Market Equilibrium
  Price Ceilings and Price Floors
  Economic Surpluses and Economic Shortages
  Comparative Static Analysis

Chapter 5, pp. 89-112.
Chapter 6, pp. 113-133.

Lecture 6: Thursday, January 26, 2006
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
Chapter 7, LECTURE 7: Tuesday, January 31, 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, LECTURE 8: Thursday, February 2, 2006
Application: The Incidence of Excise Taxes

LECTURE 9: Tuesday, February 7, 2006
Application: The Incidence of Excise Taxes (continued)

Chapter 9, LECTURE 10: Thursday, February 9, 2006
Application: International Trade

REVIEW SESSION
Date: TBA
Time: TBA
Room: TBA

LECTURE 11: Tuesday, February 14, 2006
MIDTERM EXAM #1
40 Multiple Choice

Chapter 21, LECTURE 12: Thursday, February 16, 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, February 21, 2006
Consumer Theory (continued):
Application: Simultaneous Income and Relative Price Changes with Possible Consumer Responses Delineated via Revealed Preference

LECTURE 14: Thursday, February 23, 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, February 28, 2006
Consumer Theory (continued):
Derivation of a Demand Curve
Income and Substitution Effects
Giffen Goods

LECTURE 16: Thursday, March 2, 2006
Consumer Theory (continued):
Derivation of a Demand Curve (continued)
Income and Substitution Effects (continued)
Giffen Goods (continued)

LECTURE 17: Tuesday, March 7, 2006
Consumer Theory (continued):
Income and Substitution Effects (continued)
Giffen Goods (continued)

Chapter 13, pp. 267-288.

LECTURE 18: Thursday, March 9, 2006
Theory of the Firm: Production
Production Functions
Total Product
Average product
Marginal Product
Technical Efficiency
Stages of Production
LECTURE 19:  
Tuesday, March 14, 2006  
Theory of the Firm: Duality  
The Relation Between Product Curves and Cost Curves

LECTURE 20:  
Thursday, March 16, 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, LECTURE 21:  
Tuesday, March 21, 2006  
pp. 289-311.  
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, March 23, 2006  
Perfectly Competitive Industry:  
Short-Run Supply Curve of the Firm  
Short-Run Supply Curve of the Industry  
Long-Run Equilibrium for the Firm
LECTURE 23: Tuesday, April 4, 2006
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 24: Thursday, April 6, 2006
MIDTERM EXAM #2
40 Multiple Choice

Chapter 15, pp. 313-344.
LECTURE 25: Tuesday, April 11, 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 26: Thursday, April 13, 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 27:** 
Tuesday, April 18, 2006 
Theory of the Firm: Monopolistic Competition  
Many Firms  
Price Taking Behavior  
Differentiated Products  
Free Entry and Exit  
Advertising

Chapter 16, 
pp. 345-372.  
**LECTURE 28:** 
Thursday, April 20, 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. 391-410.  
**LECTURE 29:** 
Tuesday, April 25, 2006 
Factor Markets: Labor  
Competitive Model  
Derived Demand for Labor  
Value of the Marginal Product (VMP)  
Marginal Revenue Product (MRP)

Chapter 19, 
pp. 411-428.  
**LECTURE 30:** 
Thursday, April 27, 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 31: Tuesday, May 2, 2006
Market Failure:
  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
Thursday, May 11, 2006
9:45-11:45 AM
BUSAD A101