

## S201, Introduction to Microeconomics: Honors

Tuesday & Thursday, 11:15am - 12:30pm, Wylie Hall 005

Professor Arlington Williams

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Office Hours: by e-mail appointment. Immediately after class, TR after 4pm, and MW after 2:30pm are usually good times.

**UNDERGRAD INTERN:** Michael Paulin attends lectures, takes notes, and is available in WY119 from 6-8pm on Monday evenings.

**TEXTBOOK:** Microeconomics for Today by Irvine Tucker, 3rd Edition, South-Western College Publishing, 2003.

**OPTIONAL WEB-BASED TEXT:** <http://www.econweb.com> (The basic subscription is only \$9.95 for 6 months.)

**PROFESSOR'S WEB SITE:** <http://www.indiana.edu/~arlwilli> (Class handouts, announcements, miscellany.)

**ATTENDANCE** at lectures is not required but is very strongly recommended. Trust me -- having a good set of lecture notes is critical to performing well in this class. All lecture material is fair game for exam questions and may vary somewhat from the readings in the text. If you miss a lecture, please do not expect me to repeat the material at another time (such as in my office); borrow a classmate's notes or take your chances at exam time. My personal notes are not available for copying.

**QUESTION SETS** for review will be distributed at least 1 week prior to each exam. These are simply to help you focus and organize your studying. They will not be graded. Exam questions rarely focus on a topic area that is not covered in the review questions (but don't expect the SAME questions to appear on the exams.)

**EXAMS** are a necessary, if not unanimously appreciated, evaluative device. We will have two in-class exams and a comprehensive final exam. Each exam will be based on a raw-score total of 100 points. Each of the two in-class exams will count as 35% of your semester grade and the final exam will count as 30% your semester grade. You may choose not to take one (and only one) of the two in-class exams simply by informing me prior to the end of the exam period. If you elect not to take one of the two in-class exams, the comprehensive final exam will take on the additional weight of the missed exam (i.e. if you miss either the first or second exam, then the final exam will count as 65% of your grade). There will be no make-up exams.

The final exam is on Wednesday, December 18 from 5 - 7pm. The comprehensive final exam is not optional. Please check to make sure that your final exam schedule permits you to take the final exam at this time.

**EXTRA-CREDIT POINTS** can be earned by participating in some economic decision-making exercises on the NovaNET computer network. NovaNET is available in the I.U. Student Technology Centers (e.g. Wylie 125), so you must have a "Windows NT Domain Account" to access it. Handouts providing details on the NovaNET-based exercises will be distributed to the class at the appropriate time. Participation in the extra-credit exercises can significantly enhance your grade. Give yourself a break and take the time to participate in all three exercises.

**GRADING** is the inevitable end result of exams. Exam grades are not based on a bell-shaped curve, but "mercy points" may be added to all exam scores in order to raise the class average grade up to a level deemed fair and reasonable by Professor Williams. (Note that this means that grades above 100 are possible.) The following grading system will be employed:

A+ ... instructor's discretion	B+ ... 89-87	C+ ... 79-75	D+ ... 64-60	F ... 39 or lower
A ... 93 or higher	B ... 86-83	C ... 74-70	D ... 59-50	
A- ... 92-90	B- ... 82-80	C- ... 69-65	D- ... 49-40	

Your course grade will be determined by calculating the weighted average of all exam scores [ $3(\text{exam score} \times \text{exam weight})$ ] plus any extra-credit points that you earn by participating in the economic decision making exercises. Weighted averages are rounded to the nearest integer when determining letter grades -- any fraction greater than or equal to .5 rounds up, all others round down. For example, a final weighted average of 79.5 rounds to 80, which is a B-; a 79.4 rounds to 79, which is a C+.

If you are enrolled in the class after the automatic W period ends on Wednesday, October 30, "a student may withdraw only with the permission of his or her dean. This approval is given only for urgent reasons relating to extended illness or equivalent distress. To qualify for the grade of W, a student must be passing the course on the date of withdrawal. If the student is failing, the grade recorded on the date of withdrawal will be F." (I.U. Academic Handbook, June 1997, p. 121-122). Similarly, an incomplete (the grade of "I") is awarded only in extreme circumstances such as **documented** medical problems. If you miss the final exam without providing such documentation, you will receive a zero on the exam, not an "I" for the semester.

## Course Outline -- Introduction to Microeconomics: Honors -- Professor Williams

- I. Introduction - EconWeb "Introduction" - Text Chapters 1 & 2
  - A. Overview of economic systems
  - B. Illustration of basic concepts using the production possibilities curve (PPC)
- II. Price Determination in Competitive Markets - EconWeb "Demand and Supply" - Text Chapters 3 & 4
  - A. Trading institutions: the rules of trade can vary across markets
  - B. Demand curves and demand shifters
  - C. Supply curves and supply shifters
  - D. Determination of competitive market equilibrium price and trading volume
  - E. Comparative statics exercises: changes in market equilibrium
  - F. Price controls in competitive markets
- III. Elasticity - EconWeb "Elasticity" - Text Chapter 5
  - A. Price elasticity of demand: definition, formula, numerical calculation
  - B. Relationship between price elasticity, consumer expenditures, and sellers' revenues
  - C. Factors that influence the observed price elasticity of demand for a product
  - D. Applications: minimum wage laws & concert ticket pricing

### Exam 1 (35%): Tuesday, October 8 (week 6)

- IV. Economics of Consumer Choice - EconWeb "Consumer Choice" - Text Chapter 6
  - A. The consumer's constrained optimization problem
  - B. Budget lines
  - C. Total and marginal utility
  - D. Law of diminishing marginal utility
  - E. Utility maximization rule and consumer equilibrium
  - F. Consumer equilibrium responses to price changes
  - G. Individual consumer demand curve & market demand curve
- V. Economics of Production - EconWeb "Production Costs" - Text Chapter 7
  - A. The production function
  - B. Fixed vs. variable inputs: short-run vs. long-run
  - C. Short-run total product, average product, and marginal product curves
  - D. Law of diminishing returns (a short-run concept)
  - E. Returns to Scale (a long-run concept)
- VI. The Firm's Cost Curves
  - A. Fixed and variable costs, explicit and implicit costs
  - B. Short-run total, average, and marginal cost curves
  - C. Returns to Scale and Long-run cost curves
- VII. Perfect Competition - EconWeb "Perfect Competition" - Text Chapter 8
  - A. Competitive firm's demand and revenue curves
  - B. Short-run profit maximization rules
  - C. Short-run supply curve of the firm and industry
  - D. Comparative statics exercises
  - E. Long-run equilibrium, long-run adjustment dynamics, long-run market supply curves

### Exam 2 (35%): Thursday, November 21 (week 12)

- VIII. Imperfect Competition - EconWeb "Monopoly" and "Monopolistic Competition" - Text Chapters 9 and 10 (pages 222-232)
  - A. Characteristics of Pure Monopoly and Monopolistic Competition
  - B. Demand and revenue curves under imperfect competition
  - C. Profit maximization for a firm with monopoly power
  - D. Application: Return to concert ticket pricing
- IX. Introduction to Welfare Economics - EconWeb "Externalities" - Text Chapters 14 and 4 (pages 90-95)
  - A. Net social welfare (consumer surplus + producer surplus) maximization rule
  - B. The competitive ideal
  - C. Welfare effect of a binding price control in a competitive market
  - D. Welfare effect of exercising monopoly power
  - E. External costs (pollution) and benefits (education) in a competitive market
  - F. Public goods - EconWeb "Public Economics"

### Final Exam (30%): Wednesday, December 18, 5pm - 7pm