

# Principles of Microeconomics

## ECO 2023 (Section 002)

Boris Nikolaev  
Spring 2012

Friday 9:00-11:50 AM  
BSN 120

Office: BSN 3402  
Office Phone: 974.6555  
Office Hours: By appointment  
E-mail: [bnikolae@usf.edu](mailto:bnikolae@usf.edu)  
Course Website: <http://www.borisnikolaev.com/microeconomics>

### Required Textbook

Hubbard, O' Brian. (2009). *Microeconomics* (3<sup>rd</sup> ed.). Pearson. [[buy on Amazon](#)]

\*\*Note: There is no homework from the textbook (or myeconlab) so the older edition, which is much cheaper, is acceptable. In addition to the textbook there will be a number of supplementary reading materials—journal articles, handouts, etc. Most of them can be found on the course [webpage](#).

Robert Heilbroner (2000). *The Worldly Philosophers* (7<sup>th</sup> ed.). Penguin Books. [[buy on Amazon](#)]

Henry Hazlitt (2007). *Economics in One Lesson*. Three Rivers Press. [[download for free](#)]

### Recommended Books

G. Graff, C. Birkemstein (2009). *They Say/I Say* (2nd ed.). W.W. Norton. [[buy on Amazon](#)]

William Zinsser (2006). *On Writing Well*. Harper Perennial [[buy on Amazon](#)]

### Course Overview

Economics evolved from the field of moral philosophy and has its origins in the works of Adam Smith, Karl Marx, and even Aristotle. Most importantly, however, markets existed long before economists and philosophers did. This is to say that to be a human is to be, at least occasionally, an economist. Most of you are already making all kinds of economic decisions even if you don't realize it. Perhaps, this is the reason why Alfred Marshall, an early 20<sup>th</sup> century economist, argued that economics is “the study of mankind in the ordinary business of life.” And, the ideas of John Stuart Mill, Maynard Keynes, Milton Friedman, and many other economists have had a profound influence on shaping the world that we live in today.

This course is designed as a one-semester **intensive** study of the basic (micro)economic principles. The focus will be on learning not what to think, but how to think; not what kind of arguments to support, but how to weigh those arguments and make informed decisions. Indeed, those virtues are what inspired the founding fathers and gave rise to liberal democracy and the American constitution—we must solve our problems by untamed debate rather than through oppression of thought. Thus, class discussion is an important component of the course, and respect for the ideas of others is a quality you need to bring to the classroom.

We will start our study by asking a simple question: What is economics and what makes it different from other social sciences? Once we identify the basic economic problem and methodology, we will examine different solutions to it. We will find out that the system of social organization that is the most efficient and conducive to economic stability and prosperity is capitalism. Thus, the rest of the course will be dedicated to understanding how a free-market economy operates, what makes it so efficient, what happens when free-markets are regulated, and what kind of role consumers, producers, and governments play in it.

Along the way, of course, we will discuss many different issues such as: Is capitalism better than socialism? Should we legalize the market for drugs, human organs, or prostitution? Is war good for the economy? If economic progress has made us richer, are we happier? If capitalism is about competition, why do we see so much concentration of power? Is life invaluable as politicians often tell us? Are people perfectly rational, or do our minds play tricks on us? Why are Americans getting heavier if they can afford to eat healthier food? Is redistribution of income economically justified? Is the stimulus package working, and what are the long-run implications of an ever-growing national debt? to mention a few...

There will be no easy answer. The lack of consensus among economists shows that economics is a very ideological “science” (i.e. the predictions of its models are driven by the assumptions economists make about the world, which are often based on their own beliefs of how things should be, not on objective facts.) Your own acceptance of economic models will most likely also be prejudiced by your own intellectual history. The textbook that we will be using this semester does not make an exception in this respect either and will only give you one side of the story. As always there are many others. It is thus our goal to challenge our own preconceived ideas by exploring some of the alternatives for a richer and more complete view.

Finally, I can't promise you that at the end of the semester you will "know" economics. There is no systematized body of knowledge that upon its mastery you will be able to solve economic problems with certainty as you do in physics or mathematics. This does not mean that we have to discard economics. On the contrary, economics is a powerful tool for understanding human action that can provide us with valuable insights about how people make choices and how these choices affect all of us in the global economy. What I can promise you, then, is that if you are motivated and spend the necessary time to explore new ideas and ways of thinking you will make one more step towards an educated life—and this is something valuable in itself. After all, you will have to make all kinds of choices—both for yourself and for your community—and this is something you can do either intelligently or not.

## Learning Objectives

- A. Learn the basic economic principles so that you can examine a variety of social issues from the perspective of economics.
- B. Be able to apply the concepts studied in class to the real world, and understand the political and economic jargon in everyday news.
- C. Develop your critical thinking skills by challenging the existing economic paradigm (the models in your textbook) by exploring theories that are radically different from mainstream economics.
- D. Recognize that even though economic ideas are often abstract and ideologically driven, they are nevertheless a powerful tool for social change.
- E. Become familiar with some major economic debates (as time permits).

## Course Policies

### Attendance

If you do not plan to attend lectures and participate constructively in class discussions, then you should withdraw from this course. Liberal arts education is by its nature aimed at careful self-examination and discussion. Missing class will not affect your grade directly. However, a good deal of your grade will be determined by in-class assignments given randomly throughout the semester. There will be **no make-up** for these exercises.<sup>1</sup> In addition, experience shows that students who miss more than two lectures finish with a grade significantly below average. And students who do not attend lectures regularly fail the course.

### Cheating and Plagiarism

University policies regarding academic dishonesty will be rigorously enforced in this class. It is your responsibility to familiarize yourself with these policies and to follow them strictly (refer to pages 46 – 47 in the Undergraduate Catalog). Pay particular attention to the policy on plagiarism as plagiarism is not limited to word-for-word copying of another's work. You are expected to complete all assignments for this class independently unless the assignment specifically states otherwise. I reserve the right to penalize dishonesty with sanctions *up to and including* an F in the course.

### Available Help

I encourage you to talk to me after class, to stop by my office or to email me if you have questions regarding assignments, readings, etc. I will be happy to explain material and help you prepare for assignments.

### Grade Disputes

---

<sup>1</sup> Should you decide to attend class I will ask that you do it the way it has to be done –no text messaging, no sleeping, try to be on time, etc ... The following penalties will be enforced in the case of: Sleeping: You will lose 40 pts on one of your exams. Text-messaging: You will lose 25 pts on one of your exams. Being more than 5 minutes late: You will lose 10 pts on one of your exams. To be fair to you, the same rules will apply to me as well. Only I will award the same amount of points in case I happen to violate THE rules.

If you want to dispute a particular question(s) that you feel was not graded fairly do this in a civilized manner by turning your request in writing, explaining the reasoning behind your answer, and why you should receive points back. However, if you wish me to re-grade a question, keep in mind that the revised grade may go in the opposite direction you wish it to.

“Flat Tire on the Day of Exam” and “Crashed Operating System the Night before Paper Is Due” Policy

As the name of this policy suggests, no excuses of this type will be accepted. Make sure you back up your work regularly and have a contingency plan to get to school if your car breaks. It is your responsibility to complete all assignments on time.

## Course Requirements

**Quizzes (10%):** Your success in this and any other class depends on your systematic reading the book. Therefore, weekly quizzes will be given to assess your progress in this respect.

**Exams (20% each):** There will be three in-class exams. Each exam will include multiple choice, problem-solving, and short essay-type questions. Exams will not be cumulative but knowledge of prior material may be necessary to successfully solve (or understand) some problems later in the course.

There will be **no make-up** exams. The only exception will be if the student has a credible reason and provides a convincing proof for their absence (e.g. a note from their personal physician explaining the nature of their illness). If the student needs to miss an exam for religious reasons I have to be notified at least two weeks in advance.

**Article Presentation (10%)** You will be required to find an online article from a plausible source (e.g. [www.economist.com](http://www.economist.com)) and write a short summary relating its content to a concept studied in class (e.g. economic systems, economies of scale, etc...). Be prepared to present it in class for **no more** than 5 minutes. The article should be no older than the first day of class, i.e. 01/13/11. Presentations will start on Feb 17<sup>th</sup>.

**Miscellaneous (20%)** This includes in-class and out of class assignments such as Blackboard discussions and short writing responses that I will assign as homework throughout the semester. For the discussion forums you will need to post one entry per forum (500 words minimum) and comment on two posts per forum (100 words minimum).

**Extra Credit (5%)** There will be a number of extra credit opportunities during the semester that I will announce. You can complete as many projects as you would like but only up to 5% will be taken into consideration in your final grade formation. Extra credit is always due a week from the day it is announced. All extra credit papers should be typed and at least 1<sup>1/2</sup> pages long. Late papers are not going to be accepted so plan your time accordingly.

Your final grade will be a weighted average of the above items according to the following scale.  
A+ (96-100) A (93-96) A- (90-93) B+ (86-90) B (83-86) B- (80-83) C+ (76-80) C (73-76) C- (70-73) D+ (66-70) D (63-66) D- (60-63) F (60-)

# Schedule of Lectures

## Part 1: Introduction to Economics

---

### Fri, Jan 13<sup>th</sup>

- (1) Personal Introductions, Discussion of Syllabus.
- (2) What is Economics? Why Study It?
- (3) Economic Foundations (Ch.1 + R)
  - H. Hazlitt, *Economics in One Lesson*
  - The Story of Stuff (video)

### Fri, Jan 20<sup>th</sup>

- (4) Economic Systems ( R + N)

## Part 2: Supply and Demand Analysis

---

### Fri, Jan 27<sup>th</sup>

- (5) Supply and Demand (Ch.3)
- (6) Market Equilibrium (Ch.3+R)
  - Henry Hazlitt, *How the Price System Works?*
  - F. Hayek, *The Use of Knowledge in Society*
  - D. Ariely, *The Fallacy of Supply and Demand*

### Fri, Feb 3<sup>rd</sup>

- (7) Shortages and Surpluses (Ch.3)
- (8) Government Price Fixing (Ch.4 + R)
  - Henry Hazlitt, *Government Price Fixing*

### Fri, Feb 10<sup>th</sup>

- (9) Efficiency & Government Intervention (Ch.4+R)
  - J. Stossel, *Confessions of a Welfare Queen*
  - Howard Zinn, *Economic Justice: The American Class System*

.....article presentations start

### Fri, Feb 17<sup>th</sup>

- (10) Elasticity (Ch.6 + R)
  - S.Skeel, *What if We Legalized Drugs?*

..... Exam 1

## Part 3: Consumer Choice Theory

---

### Fri, Feb 24<sup>th</sup>

- (11) Consumer Choice Theory (Ch.9 + R)
  - P. Baxandall, *Diminishing Marginal Utility and the Utility of Diminishing Marginal Inequality*

### Fri, Mar 2<sup>nd</sup>

- (12) Consumerism (R)
  - Durning, *The Dubious Rewards From Consumption*
  - Futrelle, *Can Money Buy Happiness?*
  - B. Schwartz, *The Paradox of Choice: Why less is more?*

- (13) Behavioral Economics: Alternative View of Consumption (R)

- Kahneman and Tversky, *Prospect Theory*

## Part 4: Theory of the Firm

---

### Fri, Mar 9<sup>th</sup>

- (14) Profit Maximization (N+R)
  - Henry Hazlitt, *The Function of Profits*
- (15) The Cost of Production (Ch.10)

### Fri, Mar 16<sup>th</sup>

Spring Break – no class

## Part 6: Market Structures

---

### Fri, Mar 23<sup>rd</sup>

- (16) Pure Competition (Ch.11)
- (17) Monopoly (Ch.11)
  - C. Tilly, *Is Small Beautiful? Is Bigger Better?*
  - D. Baker, *Drug Prices in Crisis*

### Fri, Mar 30<sup>th</sup>

- (18) Imperfect Competition & Oligopoly (Ch.12 +13)

..... Exam 2

## Part 7: Market Failure & Public Policy

---

### Fri, Apr 6<sup>th</sup>

- (19) Introduction to Game Theory (R+N)
  - Blaise Pascal, *The Wager*
  - P.Singer, *The Prisoner's Dilemma*
  - N.Angier, *Why Are We So Nice*
- (20) Introduction to Public Sector, Cooperation Games (Ch.5+R)
  - *The reason for collective choice-allocative efficiency.*
- (21) Coordination Games (R)

### Fri, Apr 13<sup>th</sup>

- (22) Market Failure and Externalities (Ch.5)
- (23) The Common Pool Problem (Ch.5 + R)
  - G.Hardin, *The Tragedy of the Commons*

### Fri, Apr 20<sup>th</sup>

- (24) Public Policy, National Debt (Ch.18 +N+R)
  - *I.O.U.S.A. The Movie*
- (25) Concluding Remarks

### Fri, Apr 27<sup>th</sup>

- (26) Review for Final

.....Final Exam