

Saint Joseph's University  
Department of Economics

ECN 1011: FALL 2006  
INTRODUCTORY ECONOMICS: MICROECONOMICS

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WHAT'S THIS CLASS ABOUT? My goal is for you to come away from this class with an intuitive and formal understanding of how economists analyze decisions by individual agents - primarily consumers and firms. The underlying focus of the course is to understand how markets work; i.e. how do individual decisions by consumers and firms lead to an efficient allocation of goods and factors of production. Resources (including our time) are scarce which means all consumer and firms face tradeoffs. Microeconomics studies how prices and the market serve to signal relative scarcity and thus coordinate individual transactions so that resources are allocated efficiently.

An additional concern of this class is for you to learn how to clearly express your understanding of microeconomic principles in a written context. A common problem with economics classes is that students have difficulty seeing how textbook theories translate into real world scenarios. Through frequent writing assignments, you will be forced to discover how the theory connects to YOUR everyday experience.

Learning Goals:

- To understand the fundamental issue in economics: making choices in the context of scarcity
- To obtain an introductory understanding of how microeconomic agents interact
- To obtain a basic understanding of how 'markets' work and when they lead to sub-optimal outcomes
- To be able to distinguish between different types of market structures
- To improve your writing skills while learning to express your understanding of microeconomics in a written context

READING: Principles of Microeconomics, Eighth Edition - Karl E. Case and Ray C. Fair.

GRADING: There will be two midterms and a cumulative final. Also, short assignments will be assigned weekly. The purpose of these assignments is for you to gain insight into how microeconomic theory relates to the world you inhabit, and also to improve your skills at expressing these insights on paper. Assignments must be submitted by the due date in order for credit to be received. Finally, there will be a paper assigned covering a topic chosen by the student. The following are relative weights of each graded component:

WEEKLY ASSIGNMENTS:	15%
PAPER:	15%
MIDTERM ONE:	20%
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FINAL EXAM	30%

ACADEMIC HONESTY: The University has a formal policy on academic honesty that applies to this course. Students should familiarize themselves this policy. My policy is that any student found guilty of cheating on an examination will receive a failing grade for the class.

STUDENTS WITH DISABILITIES: For those who have a documented learning, physical or psychological disability who are requesting reasonable academic adjustments, you are encouraged to contact Services for Students with Disabilities, Room 113, Science Center, 610-660-1774 or 610-660-1620 early in the semester. If you suspect that you have an *undiagnosed* disability (learning, physical, psychological), please contact Services for Students with Disabilities to discuss this concern. It is important to discuss instructional needs and accommodations with your professor early in the semester. All requests for extended-timed testing must be discussed with your professor at a minimum of one week prior to the date of each exam.

THE WALL STREET JOURNAL: I recommended that students subscribe to the Wall Street Journal. Reading articles that analyze economic relationships between consumers, firms and governments allows economists at all levels to see how the theory translates (or fails to translate) into reality. Please see me if you are interested in a 15-week subscription.

## GENERAL OUTLINE OF COURSE AND ASSIGNED READINGS

### WEEK 1: INTRODUCTION AND BASIC CONCEPTS -

#### THE FUNDAMENTAL ISSUE OF ECONOMICS: SCARCITY AND CHOICE

Textbook Reading: Chapter 1 & Appendix, Chapter 2;

Supplemental Reading: "*Iowa Voters Maintain, It's Still the Economy, Stupid*", Wall Street Journal (01/21/04)

### WEEK 2: SCARCITY AND CHOICE (continued)

#### DEMAND, SUPPLY AND MARKET EQUILIBRIUM

Textbook Reading: Chapters 2 and 3;

Supplemental Reading: "*Atkins Diet Spurs Egg Demand and Stock Price*", Wall Street Journal (04/26/04); "*Art Appreciation*", Wall Street Journal (01/23/04); "*Googlers Drive Atherton Housing Market*", Wall Street Journal (07/12/05);

### WEEK 3: DEMAND, SUPPLY AND MARKET EQUILIBRIUM (continued)

Textbook Reading: Chapter 3 and chapter 4;

Supplemental Reading: "*College Books Move Online*", Wall Street Journal (04/23/04); "*Outsourcing Inpatient Care to India*", Wall Street Journal (04/26/04); "*Milk's New Flavored Pitch*", Wall Street Journal 08/09/05).

### WEEK 4: THE PRICE SYSTEM AND ELASTICITY

Textbook Reading: Chapter 5;

Supplemental Reading: "*U2 Offers Lesson in Supply and Demand*", Wall Street Journal 02/01/05); "*Companies Flex Pricing Muscles*", Wall Street Journal (04/023/04);

### WEEK 5: CONSUMER AND HOUSEHOLD BEHAVIOR

Textbook Reading: Chapter 6;

Supplemental Reading: "*Consumer Spending Up, Savings Down*" Wall Street Journal (08/03/04); "*Travel Sector May Suffer Limited Demand Drop in the Wake of Subway Bombings*", Source (06/08/05);

## \*\* MIDTERM 1 WILL COVER CHAPTERS 1-6

### WEEK 6: THE THEORY OF THE FIRM: PROFIT MAXIMIZATION

Textbook reading: Chapter 7;

Supplemental Reading: "*Toyota Bets on Hybrids*", Wall Street Journal (07/13/05);

WEEK 7: FIRM BEHAVIOR: COSTS AND OUTPUT IN THE SHORT-RUN

Textbook Reading: Chapter 8;

Supplemental Reading: “Cash-Rich Firms Feel Pressure to Spend”, Wall Street Journal (07/11/05).

WEEK 8: FIRM BEHAVIOR: COSTS AND OUTPUT IN THE LONG-RUN

Textbook Reading: Chapter 9;

Supplemental Reading: “Manufacturers Spend More on Plants”, Wall Street Journal (07/1/05).

WEEK 9: INPUT DEMAND: LABOR AND LAND

Textbook Reading: Chapter 10;

Supplemental Reading: “*Collective Bargaining and the Role of Unions*”, Wall Street Journal (09/16/03); Supplemental Reading: “*Rubber Prices Bounce Higher*”, Wall Street Journal, (02/27/04).

WEEK 10: INPUT DEMAND: CAPITAL

Textbook Reading: Chapter 11;

Supplemental Reading: “*IPO Market Comes Back to Life*”, Wall Street Journal, (11/11/03)

WEEK 11: GENERAL EQUILIBRIUM AND AN INTRODUCTION TO MARKET FAILURE

Textbook Reading: Chapter 12;

WEEK 12: MONOPOLY AND ANTITRUST POLICY

Textbook Reading: Chapter 13;

Supplemental Reading: “*Monopolies and the Promise of Deregulated Electric-Power Markets*”, Wall Street Journal (11/11/03); “*Patents Protect Drugs - Sort of*”, Wall Street Journal (04/28/03); “*DeBeers Negotiates to Settle Price-Fixing Charge*”, Wall Street Journal (02/24/04); “*Dow Chemical Awarded Patent*”, Wall Street Journal (06/24/04). “*Heat Wave Boosts Utility Revenues*”, Wall Street Journal (07/27/05).

**\*\* MIDTERM 2 WILL COVER CHAPTERS 7-13**

WEEK 13: OLIGOPOLY AND MONOPOLISTIC COMPETITION

Textbook Reading: Chapter 14;

Supplemental Reading: “*OPEC Decides Against Cuts*”, Wall Street Journal (09/26/03); “*Owners Expect More Industry Concentration*” Wall Street Journal (04/06/04); “*Auto Insurance and Price Discrimination*”, Wall Street Journal (04/07/04).

WEEK 14: OLIGOPOLY AND MONOPOLISTIC COMPETITION (continued)

Textbook Reading: Chapter 14

Supplemental Reading: “*Michael Jordan and Monopolistic Competition*”, Wall Street Journal (11/11/03)

WEEK 15: EXTERNALITIES, PUBLIC GOODS AND IMPERFECT INFORMATION

Textbook Reading: Chapter 15;

Supplemental Reading: “*Builders Think Green*”, Wall Street Journal (01/21/04); “*Gambling Externalities: The Positive and Negative*”, Wall Street Journal (02/24/04); “*Big Business and Alaskan Logging*”, Wall Street Journal (02/24/04).

**\*\* THE FINAL WILL COVER CHAPTERS 1-15**