

Microeconomics
Course 8002GED16 — Block 2 2015
Syllabus — November 24, 2015
Professor David Zetland

1 Course description

This 200-level course begins with the study of individual decisions before moving to the interactions of individuals making decisions. (Macroeconomics tends to emphasize the aggregated outcomes of decisions.) We will follow this route with an emphasis on new insights from behavioral and experimental economics that explain more about our choices and interactions than simple “homo economicus” models.

After covering the micro foundations of demand, we will move to supply, to understand how cost curves are derived for individual firms, how multiple inputs affect economies of scope and scale, and how aggregate supply curves reflect markets that range from monopoly to duopoly to perfect competition.

We will examine the impact of institutions, information and transaction costs on markets, missing markets, and non-market scenarios, to explore the interaction of economic, social and political forces.

Themes: Preferences, technology, markets, competition, monopoly, incentives, regulation.

Learning objectives: After completing this class, students will:

- How individuals (demand) and firms (supply) interact in various market structures to determine the prices and quantities of produced goods.
- The process by which individual preferences (tastes) combine with income and prices to produce the demand curve.
- Factors affecting the slope of the demand curve (elasticity), and why the demand shifts in or out (income, tastes, complements and/or substitutes).
- The relations among marginal benefits, marginal costs and utility
- The process by which production inputs and technology combine with prices to produce the supply curve.
- The factors affecting the slope of the supply curve (elasticity) and why the supply curve shifts in or out (technology, regulation, input mix).
- Economies of scale and scope and the relations among average cost, marginal cost and total cost.
- The relations among marginal revenues, marginal costs and profits.
- How firms try to influence market structure and how different degrees of competition affect pricing, output, and social surplus.
- The efficiency and equity implications of market failure and government failure.
- The impacts of information and transaction costs on individual and firm behavior

2 Logistics

Greetings: I’m an assistant professor. Call me “Professor” or “David” but not “Doctor”

Contact: d.j.zetland@luc.leidenuniv.nl or mobile 06 2890-9774

Office hours: Room 4.37 14:00-16:00 on Tues/Thurs *or* appt. (<http://www.kysq.org/cal>)

Technology: Do not use laptops or mobile phones in class. Take notes

Classes: Tuesday (11:00-12:50) and Thursday (17:00-18:50) in Room **TBA**, with a 10 minute break at :50

Dates: The first class is Tuesday, 27 Oct. The last class is Thursday, 10 Dec. The final is **TBA**

2.1 Instruction, participation and attendance

Instruction: The course is taught through two-hour seminars. Students will be expected to participate in both large and small group discussions; present and defend their ideas within an academic setting; and take part in group projects. The instructor will facilitate and ensure the efficient running of the discussion, but students are responsible for its quality. Students must complete required reading *before* class.

Attendance: Students who miss three classes receive an F for the class (per student handbook). As usual, there is no deduction if you're absent due to "extenuated circumstances," but I'll need a doctor's note, approval of your tutor, or equivalent as justification. Arriving more than 10 minutes late counts as "missing the class." *Students who are more than two minutes late will bring "goodies" for everyone in the next class.*

2.2 Textbook

Dolan, Ed (2013). *Introduction to Microeconomics*. Fifth Edition. BVT Publishing. 978-1-61882-611-4

3 Assessments

1. Participation: 15 Percent
2. Homework/Reading: 15 percent (10/5 percent, respectively)
3. Blog post: 15 percent
4. Briefing: 15 percent
5. Critique: 15 percent
6. Final: 25 percent

3.1 Participation

Everyone starts with an A. Your grade will *fall* for failing to comprehend readings (e.g., "I can't answer that question because I didn't do the reading"), disruption (e.g., using a laptop in class), and/or at professor's discretion. There is *no penalty* for asking questions, giving the wrong answer, etc.

3.2 Homework and Reading

There will be one homework assignment (short answers) that will give you a chance to see how I ask questions (and you should answer them) before the final.

For the "reading," students will work in pairs to explain keywords (and thus the content) of book chapters.

3.3 Blog post

For the blog post, you can write an analysis of a "microeconomic phenomena" of your choice. You will get an A+ if/when I accept it for publication. This grade, however, will be reduced to an F (-10 from your 15 points) for failure to leave a useful (critical, insightful, etc.) comment on at least ONE other post by a student. NB: You will get an F if I reject your submission twice for bad writing. **Examples:** Check out "guest posts" from LUC students on my blog <http://tinyurl.com/nmfmk4v> around Sep-Oct 2014.

Format for submission

Email your post to my personal account (dzetland@gmail.com) by midnight on the due date.

- You will be identified by name. I will use your photo by default, unless you tell me no.
- Your title should be 50 characters or less (to fit on one line)
- It's good to put an image (photo or figure) in the post.
- Each post should be between 300-500 words. You can go longer but don't bore people.
- It's helpful to have a "Bottom Line:" summary statement of your point to the reader.
- Email your post to me with your text *in* the email. Do not attach a Word doc, but you can attach photos. Do not embed hyperlinks. Instead, use the format (this great blog)[<http://www.aguanomics.com/>].

3.4 Briefing

For the briefing, your task is to "brief" a busy politician on the pros and cons of an issue (topic: Basic income) in less than 700 words. Everyone will discuss and analyze the micro-economic foundations affecting that topic. I will grade the original briefing (15 points) *and* all peer critiques for quality (5 points/each).

Format for submission

- Each briefing needs to be 700 words or less (two single-spaced pages)
- Do NOT put your name or ID number in the document
- Name your file xxxx.doc(x), where xxxx are the last four digits of your LUC ID
- Do NOT use a PDF file.
- Email to me before the deadline.

3.5 Peer critiques

For each of the three briefings you read, please group your comments under the headings of:

- "What I learned"
- "What I did not understand"
- "How to improve"

I will grade your critiques based on the quality of your work, i.e., how helpful and insightful it is to the author (and me). This means you can ignore poor grammar and spelling (I will see it) and that you do not need to argue too much with poor reasoning. Just offer a simple counter-example or question to point out the weakness in the author's argument.

Format for submission

- Each critique needs to be 300 words or less.
- Do NOT put your name or ID number in the document
- Name your file xxxx-yyyy.doc(x), where xxxx comes from the author of the briefing and yyyy are the last four digits of your LUC ID
- Do NOT use a PDF file.
- Email to me before the deadline.

3.6 Final exam

You will have two hours to answer a series of questions in class during reading week.

4 Weekly Schedule

- We will be covering material at a *rapid* pace (two chapters per week; one per class).
- One (random) pair of students will present each chapter — explaining all keywords — during the first half of class.
- I will lead further discussion (and examples) in the second half of class.
- Assessments are due *at the start* of Tuesday's class (usually one week after distribution).

Week 1: Introduction

Dolan: Chapters 1 and 2 (DZ presents)

Assignment: None

Week 2: Supply, Demand and Elasticity / Choice, Markets, and Government

Dolan: Chapters 3 and 4

Assignment: None

Week 3: Consumers Choices / Climate Change and Environmental Policy

Dolan: Chapters 5 and 6

Assignment: Start blog post (at latest)

Week 4: Global Trade and Trade Policy / Production and Cost

Dolan: Chapters 7 and 8

Assignment: Blog post due. Homework assigned

Week 5: Supply Under Perfect Competition / The Theory of Monopoly

Dolan: Chapters 9 and 10

Assignment: Homework due. Briefing assigned

Week 6: Rivalry, Oligopoly, and Monopolistic Competition / Regulating Markets

Dolan: Chapters 11 and 12

Assignment: Briefing due / Start critiques / Feedback on HW (to help with final)

Week 7: Pricing in Resource Markets / Insurance, Information and Uncertainty

Dolan: Chapters 13 and 14

Assignment: Critiques due

Reading Week: Final exam TBA