

ECON 111 PRINCIPLES OF
MICROECONOMICS – **DUAL CREDIT ICC**
(social science credit – ½ credit)

I. COURSE DESCRIPTION

Principles of microeconomics will study basic concepts of economics at an individual level. Topics to be covered will include: basic definitions, opportunity costs, production possibilities, supply and demand analysis, elasticity, short run production costs, long run costs, market structures, revenue curves, profit maximization, labor markets, utility theory, budget constraints, indifference curves, isocosts, isoquants and other related concepts. Many topics will build upon previous lessons. It is imperative to retain information after testing.

II. TEXT

Economics Today: The Micro View, by Miller, 19th edition is required. The authorization to access MyEconLab/ Mastering is required. The authorization and course ID codes are both required to access helpful information provided online by the publisher. Note: while the access codes must be for the 19th edition, early editions of the hardcopy text are approved.

III. EVALUATION

Grading: Weighted percentages are as follows:

Tests 60%

There are 6 Unit tests. Each test carries the same weight. One test = 10% of overall grade.

Quizzes 10%

There are 16 quizzes (one initial assignment quiz and 15 chapter quizzes). The Initial Assignment is worth 1% of the overall grade. Each chapter quiz carries the same weight. One chapter quiz = 0.6% of overall grade.

Other 30%

The category of Other includes the discussion boards and the Group Project. The discussion

boards for Units 2, 3, 4 and 5 are worth 4.5% each. There are no discussion boards for Units 1 and 6. The Group Project is worth 10% of the overall grade. The Entrance and Exit Discussion Boards are worth 1% each.

Grading Scale

The standard 90-80-70-60 scale is used. Work is not accepted late, and is considered on time if received by the due date. Grades will be posted within two weeks of the due date (not the date you submit the work).

Study Plan

Study Plan exercises are not calculated into your grade. However, if you have consistently completed the Study Plans and find yourself on the border at the end of the semester, you will be given the benefit of the doubt. Study Plan exercises are also an excellent way of learning course material and helping prepare for quizzes and tests.

Quizzes

The first assignment due in the class is a quiz. Known as the Initial Assignment, this quiz is required and is intended to familiarize students with the navigation of the class. There are also 15 required chapter quizzes as shown on the schedule. Each chapter quiz can be repeated (maximum take- 3 times). Use this as a pre/post-learning tool. I will use the average of your attempts. However, the gradebook will allow you to see all attempts. Quizzes are available to be reviewed immediately after you take them. Because three attempts are allowed, quizzes will not be reset.

Quizzes results can also be reviewed after the quiz due date in order to help prepare for Unit tests. Note: the Unit test questions and the quiz questions are taken from the same pool of questions. It is recommended all three takes of the quizzes are utilized.

Unit Tests

There are 6 required online UNIT chapter tests as shown on the schedule. Each will be taken only once. The chapter tests are not intended to be cumulative, but some information is built upon previous material. The online chapter tests will cover material from the text as well as the lecture/announcement information.

When taking the online chapter tests do not open up any other browser. Do not use Wi-Fi for the tests.

Online chapter tests can be reviewed after the test due date. You are only allowed two chapter test resets and they must be requested prior to the due date. Resets must be completed within two calendar days of the reset. Resets are for reasons such as power outages, internet connection loses, etc. The resets are not for less than satisfactory scores.

Discussion Boards

I encourage you to visit the discussion boards several times. If you have an opinion about another student's comment and you can use microeconomic principles to explain your opinion, please respond. The amount of participation varies amongst discussion boards. Discussion boards are designed to allow the student a written demonstration of learning. When applicable, current events will be discussed. Discussion board due dates are shown on the schedule.

Group Project

Information about the Project is available under the Group Project tab in MyEconLab. The purpose of the Group Project Assignment is to apply economic concepts studied in this course to current events.

Extensions

Extensions will not be granted, except for extreme circumstances. Successive Units will become available before the previous Units closes. You may work ahead as far as you like,

but I recommend that you advance in order of the schedule. Please do not wait until the last minute to complete work and always have a backup plan for your computer.

Attendance

Attendance is defined as submitting a completed assignment, regardless of the score.

Even though your physical presence is not required for this class, it is recommended that you create a study schedule to coincide with the due date Schedule. You are expected to spend between 12 and 15 hours a week towards this class.

IV. IMPORTANT DATES and POLICIES

Calendar dates for all assignments are listed under the Schedule tab. It provides due dates of all assignments for the entire semester.

Changes will be announced under Announcements. I will not ask for work to be completed early, but I may give extra time for instances such as failure of the MyEconLab/ Mastering site. Otherwise, you are expected to complete work on time.

You are expected to adhere to the policies provided in the Student Handbook for Illinois Central College.

Microeconomics Concepts

Unit I: Basic Economic Concepts

Founding Principles

- Economizing Problem (Scarcity)
- Ceteris Paribus
- Trade-offs
- Opportunity Cost
- Rational Self-Interest
- Free-Market System (Invisible Hand)
- Laissez Faire

Types of Economics

- Microeconomics vs. Macroeconomics
- Positive Economics vs. Normative Economics

Production Possibilities Curve (Frontier)

- Straight vs. Bowed PPC
- Underutilization, Full employment, and unattainable (in short run)
- Law of Increasing Opportunity Costs
- 3 Shifters of the PPC
- Consumer Goods vs. Capital Goods
- Effects of trade

Circular Flow Model (Chart)

- Product Markets
- Factor Markets
- Public Sector

Specialization and Trade

- Absolute Advantage
- Comparative Advantage

Unit II: Supply, Demand, and Consumer Choice

Demand

- Law of Demand
- Market Demand Curve
- 5 Determinants (Shifters) of Demand
- Normal Goods vs. Inferior Goods
- Substitutes and Compliments

Supply

- Law of Supply
- Market Supply Curve
- 6 Determinants (Shifters) of Supply

Equilibrium and Efficiency (Graph)

- Equilibrium Price and Equilibrium Quantity
- Disequilibrium: Surplus and Shortage
- Consumer Surplus and Producers Surplus

Government Policies (Graphs)

- Price Floors (Above Equilibrium)
- Price Ceilings (Below Equilibrium)

- Excise Taxes
- Subsidies
- Tariffs
- Quotas

Elasticity

- Price Elasticity of Demand
- The Total Revenue Test (Graph)
- Price Elasticity of Supply
- Income Elasticity of Demand
- Cross-Price Elasticity of Demand

Consumer Choice

- Law of Diminishing Marginal Utility
- Substitution Effect
- Income Effect
- Marginal Benefit and Marginal Costs
- Marginal Benefit (Utility) per Dollar
- Utility Maximizing Rule ($MU \text{ per } \$1 = MU \text{ per } \1)

Unit III: Costs of Production and Perfect Competition

Production is the creation of utility.

- Four Factors of Production

Economists vs. Accountants

- Total Revenue
- Explicit Costs
- Implicit Costs
- Economic Costs
- Economic Profit

Law of Diminishing Marginal Returns (Graph)

- Total Product and Marginal Product: 3 Stages of returns (Graph)
 - Stage I: increasing returns
 - Stage II: decreasing returns
 - Stage III: negative returns

Costs of Production (Graphs)

- Fixed Costs
- Variable Costs
- Total Cost
- Per-Unit Costs- (AVC, AFC, ATC)
- Shifts in MC, ATC, AVC, and AFC.
- Marginal Costs
- Marginal Revenue
- Profit Maximization ($MR=MC$)

Long-Run Production Costs (Graph)

- Economies of Scale
- Returns to Scale
- Diseconomies of scale

Characteristics of Perfect Competition

- Price takers
- Demand = MR = Price
- Graph: Firm vs. Industry/Market

Short-Run vs. Long-Run (Graphs)

- Short-Run (Profit or Loss)
- Long-Run Equilibrium
- New Firms Enter and Exit
- Normal Profit
- Shutdown Decision ($P < AVC$)

Efficiency (Benefits of Competition)

- Productive Efficiency ($P = \text{Min ATC}$)
- Allocative Efficiency ($P = MC$)

Unit IV: Imperfect Competition

Characteristics of Monopolies

- Barriers to Entry
- MR Below Demand (Graphs)
 - Elastic vs. Inelastic Range
- Profit-Maximizing Price and Quantity
- Natural Monopoly

Effects on Overall Economy

- Compared to Competitive Industry
- Dead-Weight Loss

Price Discrimination (Graph)

- Purpose and Results
- Graph ($MR = D$)

Regulation

- Unregulated Price
- Fair Return Price
- Socially Optimal Price
- Taxes and Subsidies

Characteristics of Monopolistic Competition

- Long-Run Equilibrium (Graph)
- Excess capacity
- Non-price competition
 - Product differentiation
 - Advertising

Characteristics of Oligopolies

Kinked Demand Curve-Competitive Pricing (Graph)

Game Theory (Chart)-

Collusion and Cartels

- Incentives to collude
- Incentives to cheat

Unit V: Resource Market

Demand for Labor

- Derived demand
- Marginal Revenue Product (MRP)
- Marginal Resource Cost (MRC)

Perfectly competitive Labor Market (Graph)

- Wage takers
- Perfectly elastic Supply of Labor

Monopsony (Graph)

- Wages and Quantity compared to perfectly competitive labor market

Labor Unions

- Goals and methods

Effects of Minimum Wage

Wage Differentials

- Investment in Human Capital

Demand and Supply of Loanable Funds

Unit VI: Market Failures and Government Involvement

Definition and examples of Market Failures

Public Goods

- Free-Rider Problem
- Non-Excludability
- Non-Rivalry

Positive externalities/Spillover Benefits (Graph)

- Marginal Social Benefit vs. Private Benefit
- Underallocation
- Government remedy

Negative Externalities/Spillover Costs (Graph)

- Marginal Social Cost vs. Private Cost
- Overallocation
- Government Remedy

Pollution

- Common Pool Problem
- Solution: Pollution Credits/Externality Rights

Income Distribution

- Lorenz Curve (Graph)
- Purpose of Government Transfers (Welfare)

Taxation

- Three types of taxes: Prog. Reg. Prop.

Tax Incidences

- Price buyers pay
- Price sellers receive
- Tax revenue