

## ECN210 / ECN210      PRINCIPLES OF MICROECONOMICS

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Semester: Fall

Class hours: M & W 15:30-16:45

**DESCRIPTION:** This course will provide principles of microeconomics. In this course, we study how scarce resources are allocated within the market system (using the price mechanism). We consider actions of, and the interactions among, three economic agents within this system: (i) consumers, (ii) producers, and (iii) government. In this course, students will be introduced to simple and abstract models of decision-making of the three economic agents. Using these models, we will analyze the outcomes when these agents interact in the marketplace. Students will be able to understand the principles underlying the decision-making of economic agents, and how their decision-making would change when incentives of and environment around those agents become different. By actively participating in this course, students are expected to obtain (i) about 50 key concepts of microeconomics, (ii) the basic methodology and models in microeconomics and their application to hypothetical situations, and (iii) the ability to analyze real-world economic issues in the US, Japan, and other economies.

### STUDY MATERIALS:

#### <Textbooks>

- **Mankiw, N. Gregory. Principles of Microeconomics, 5<sup>th</sup> Edition.** Cengage South-Western, 2009.

*You do not have to purchase the 5<sup>th</sup> edition if you already have the 4<sup>th</sup> edition of the textbook. Most of the contexts in both books are very similar.*

#### <Study Guides>

- **Hakes, David R. Study Guide to accompany Principles of Microeconomics, 5<sup>th</sup> Edition.** Cengage South-Western, 2009.
- Go to: [http://www.cengage.com/economics/mankiw/edition\\_5/micro.html](http://www.cengage.com/economics/mankiw/edition_5/micro.html), and click “Student Resources.” The website has various information including links and on-line sample exam questions.
- Use of these study guides is not mandatory, but many students reported that the study guides have been helpful in understanding difficult concepts and in preparing for homework assignments and exams.

**<Reference books, sources of readings and other information>**

- Go to <http://economics.about.com/od/economicsglossary/> for the Glossary of Economics Terms
- **Roberts, Russell. The Invisible Heart: An Economic Romance**. Cambridge: MIT Press, 2002. This is a romantic novel that uses many principles of microeconomics. You will appreciate the plots and it would become difficult for you to forget the principles of economics.
- Handouts on economic issues will be delivered in class, when necessary.

**ASSESSMENT:** Student achievement of the stated course Objectives will be measured in terms of student performance in the following areas: (i) 1<sup>st</sup> Examination (20%), (ii) 2<sup>nd</sup> Examination (30%), and (iii) Final Examination (40%), and (iv) Class participation (10%). Students *may* improve the overall scores by completing extra assignments.

**POLICIES:** All exams and assignments must be completed to receive a passing grade for this course. Acts of plagiarism or other forms academic dishonesty will be dealt with harshly. See <http://en.wikipedia.org/wiki/Plagiarism> for more information.

**COURSE FORMAT AND ACTIVITIES:** This course consists of many lectures. Considering the class size, however, each student will have good opportunities to participate in the class actively. Lively discussion on real-world economic issues is expected. Students are encouraged and welcomed to ask questions and / or to request explanations to the instructor in the class or at office hours. There may be one or two lectures by guests so that students have opportunities to understand how economic principles are exercised.

## **SCHEDULE:**

### *<Week 1>*

Theme/Theories/Key concepts: *introduction to economics*

Textbook: Chapter 1 – Ten Principles of Economics

### *<Week 2>*

Theme/Theories/Key concepts: *economic models, microeconomics & macroeconomics, positive vs. normative analysis*

Textbook: Chapter 2 – Thinking Like an Economist

### *<Week 3>*

Theme/Theories/Key concepts: *opportunity cost, absolute vs. comparative advantages, gains from trade*

Textbook: Chapter 3 – Independence and the Gains from Trade

### *<Week 4>*

Theme/Theories/Key concepts: *demand, quantity demanded, normal & inferior goods, complements & substitutes, supply, quantity supplied, equilibrium, surplus, shortage*

Textbook: Chapter 4 – The Market Forces of Supply and Demand

### *<Week 5>*

Review and the 1<sup>st</sup> Examination

### *<Week 6>*

Theme/Theories/Key concepts: *price elasticity of demand, income elasticity of demand, cross-price elasticity of demand, price elasticity of supply*

Economic issue: *How much customers do coffee houses lose due to price increase of premium coffee?*

Textbook: Chapter 5 – Elasticity and Its Application

### *<Week 7>*

Theme/Theories/Key concepts: *price ceiling, price floor, tax incidence*

Economic issue: *The Futility of Price Controls (economic consequences of price controls)*

Textbook: Chapter 6 – Supply, Demand, and Government Policies

### *<Week 8>*

Theme/Theories/Key concepts: *consumer surplus, producer surplus, efficiency, equity*

Textbook: Chapter 7 – Consumers, Producers, and the Efficiency of Markets

<Week 9>

Theme/Theories/Key concepts: *deadweight loss, tax revenue*

Textbook: Chapter 8 – The Costs of Taxation

<Week 10>

Review and the 2<sup>nd</sup> Examination

<Week 11>

Theme/Theories/Key concepts: *positive & negative externalities, internalization, Coase theorem, transaction costs, corrective (Pigouvian) tax, tradable permit*

Economic issue: *Rakugo short-short (kobanashi) of Kabayaki*

Textbook: Chapter 10 – Externalities

<Week 12>

Theme/Theories/Key concepts: *excludability, rivalry, private goods, public goods, common resources, free rider, Tragedy of the Commons*

Textbook: Chapter 11 – Public Goods and Common Resources

<Week 13>

Theme/Theories/Key concepts: *explicit costs, implicit costs, economic profit, accounting profit, production function, diminishing marginal product, total cost, fixed costs, variable costs, average cost, marginal cost, efficient scale, economies & diseconomies of scale, constant returns to scale*

Economic issues: *Some hotels ask customers whether it is all right not to change the sheets every night. Is this for environment protection, or for more profits?*

Textbook: Chapter 13 – The Costs of Production

<Week 14>

Theme/Theories/Key concepts: *competitive market, average revenue, marginal revenue, profit maximization, sunk cost, entry, exit, shutdown*

Textbook: Chapter 14 – Firms in Competitive Markets

<Week 15>

Review and the Final Examination