

Principles of Microeconomics (Honors)
Sections 2 (9:55), 7(11:20), 5(12:45)
Spring 2008
Professor Mary Hansen

208 Roper, phone 885-3793, e-mail: mhansen@american.edu
Spring 2008 Office Hours: MTh 9-9:50 a.m. and 2-4 p.m.
You will find a copy of syllabi on my home page:
<http://academic2.american.edu/~mhansen/>

Relax! Don't listen to what other people tell you about econ courses. Throw any negative previous experiences out the window. Ours is an immensely fun class. But it is an immensely busy one. In one short term, just a few brief weeks, you will learn the basics of economic analysis—and it will change the way you look at your world.

The goal of Principles of Microeconomics is to explore how an economist views the way people make choices, and to work through the implications of the economist's view. We will look at the choices of individuals and households, and we will look at the choices of firms and governments. We will develop a systematic way of describing how choices are made, and we will follow through with a systematic analysis of how choices change when circumstances change.

Some of you might be so impressed by the economist's view of the world that you adopt it as your own. I did. Others of you might come to believe that the economist's view is hogwash. That's fine, too. The economist's view is one way to look at the world. It is not the only way. But, just as in your philosophy class you learn the tenets of philosophies that you might not espouse in order that you might be knowledgeable about others' perspectives, in Principles of Microeconomics you will learn about a view that influences the world around you.

Because this course moves fast, it is imperative that you (a) keep up with the reading, (b) do the quizzes and problems in the text, and (b) ask me a question as soon as there is a point that needs clarification.

Please allow me a few words about teaching and learning: I don't usually lecture, at least not in the usual sense of the term. A typical class meeting will start out with time for questions, then move on to problem-solving, activities or discussion intended to reinforce the main point of the reading. This approach to teaching has many advantages. It's more fun. It's seldom boring. We get to know each other. We get to learn from each other. We remember the main points more clearly. But this approach to teaching requires active participation, during and especially between each class meeting. We must do some preparation in advance or the in-class problems and activities can't do their jobs. We must prepare questions about the reading or the Q&A times can't do their job. Past students tell me that the methods of teaching and learning utilized in this class take some adjustment—their many successes tell me it's worth it.

Specific Learning Objectives:

Students will apply the logic of marginal analysis to the following situations:

1. Competitive market equilibrium for a product or service
2. Individual/household demand for a product or service
3. Individual/household supply of labor
4. A competitive firm's supply of a product or service
5. A competitive firm's demand for an input
6. A monopolist's pricing and output decisions

Students will use partial equilibrium analysis to explain the outcome (in terms of price and quantity) of the following situations:

7. A change in determinants of demand
8. A change in determinants of supply
9. The imposition of a tax
10. The imposition of a price control
11. A bill currently before Congress

Students will use welfare analysis to explain the outcome (in terms of efficiency and redistributive effects) of the following changes in circumstances:

12. The imposition of a tax
13. The imposition of a price control
14. A bill currently before Congress

Students will

15. Articulate at least one objection to mainstream economics.

Text: N. Gregory Mankiw, *Principles of Microeconomics*. Mankiw's twin goals in writing the book were clarity and brevity. Gotta like that. The book is in its fourth edition, but you may use any edition of the book. I recommend the using the web site for students that is referenced in the book. If you are math-o-phobic, I recommend buying and using the Study Guide.

Exams: There are three in-class midterm exams and a cumulative final, see attached course schedule. Your three highest exam grades count towards your course grade. Each counts for one-fourth of the course grade. Your lowest exam grade will be dropped. The format is multiple choice, and exams are approximately 45 questions long. Exam conflicts must be resolved at least one full week before a scheduled exam. Exam make-ups due to extreme emergency (we are talking serious, documentable emergency here) must be taken within one week of the missed exam.

Assignment: Tap you inner policy wonk! Groups of three to five students will explore and present on a policy proposal suggested in the presidential campaign or on a bill presented in Congress. The objective of the assignment is to use the systematic economist's view to predict the effect of a proposal if it becomes law. Full details appear under separate cover. The assignment counts for one-fourth of the course grade. Attendance at all presentations is required of all students; absence from another group's presentation will lower your own assignment grade by one letter (except for documented emergency).

Standards of Evaluation: A grade of "A" is earned through superior work and unceasing effort; a grade of "B" is earned through excellent work and consistent effort; a grade of "C" is earned for satisfactory work and reasonable effort; a grade of "D" is earned for incomplete and/or unsatisfactory work demonstrating little effort; a grade of "F" is earned through unsatisfactory work and absence of effort.

Academic Integrity: Standards of academic conduct are set forth in the University's Academic Integrity Code. Any violations of the Code will be treated seriously. Please see me if you have any questions about how the Code relates to particular requirements for this course.

General Education Information: Principles of Microeconomics is a second-level course in Area 4, Social Institutions and Behavior, of the University's General Education Program.

Course Schedule: REVISED 1-14-08

| Date | Reading |
|--------------------|---|
| M 1-14 | Intro and warm-up |
| Th 1-17 | Ch. 1& 2 |
| Th 1-24 | Ch. 3 |
| M 1-28 | Ch. 4 |
| Th 1-31 | Ch. 5 |
| M 2-4 | Ch. 6 |
| Th 2-7 | Ch. 7 |
| M 2-11 | Review |
| Th 2-14 | First Exam |
| M 2-18 | Ch. 8-9 |
| Th 2-21 | Ch. 10-11 |
| M 2-25 | Ch. 21 |
| Th 2-28 | Ch. 21 and Ch. 12 |
| M 3-4 | Ch. 13 |
| Th 3-7 | Ch. 13 |
| M 3-18 | Review |
| Th 3-21 | Second Exam |
| M 3-25 | Ch. 14 |
| Th 3-28 | Ch. 14 |
| M 4-1 | Ch. 15 |
| Th 4-3 | Ch. 17 |
| M 4-7 | Ch. 18 |
| Th 4-10 | Third Exam |
| M 4-14 | Presentations & begin Ch. 19 |
| Th 4-17 | Presentations & continue Ch. 19, begin Ch. 20 |
| M 4-21 | Presentations & continue Ch. 20 |
| Th 4-24 | Presentations & begin Ch. 22 |
| M 4-28 | Presentations & continue Ch. 22 |
| Th 5-1 or M 5-5 | Fourth Exam 5-1 at 8:30 for section 2; 5-1 at 11:20 for section 5; 5-5- at 11:20 for section 7 |

Assignment: Inner Policy Wonk

Form a group of 3-5 students who (are willing to) share interests in policy problems. Pick about three policy problems to follow. Choose policy problems that have (or are very likely to) come up as part of a presidential campaign or in Congressional debate. Some policy topics are obviously “economic” (for example: proposed solutions to the sub-prime mortgage mess, upcoming votes on free trade agreements with Korea and Peru). Do not feel limited to such obvious problems; instead, choose problems that interest your group (one that comes to mind: amnesty for employers of undocumented immigrants). Don’t worry; the economist’s view can be applied to almost any kind of decision we face.

For the first half of the semester, follow your policy topics in the news. Compile a notebook of clippings from newspapers, the web, and other sources. Be sure to note the source of your clippings carefully! See a librarian if you aren’t sure how to write a reference for a particular source. Use Turabian/Chicago style, author-date citation formats.

In the couple of weeks after Spring Break, choose one of the topics you’ve been following to focus on. Continue to follow and save clippings on just that one topic.

Develop an economic analysis of the policy proposal(s) made on your topic. An economic analysis of a policy predicts what will happen if the policy is enacted. An economic analysis must use the economist’s view: we will come to call the economist’s view *marginal analysis*. Write up your policy analysis in three or fewer pages. Include a graph showing the effect of the proposed policy. Professor Hansen will comment on your first draft and suggest revisions.

After revising your draft, prepare a 15 minute presentation for the class. The presentation should cover the main problem to be solved by policy, how proposals have developed over the semester, and your analysis.

Due dates:

Thursday, 3-7: Turn in notebook of clippings.

Monday 3-25: Let Prof. Hansen know which topic you will focus on.

Monday 4-1: First draft of written policy analysis due.

Presentations: