PRINCIPLES OF MICROECONOMICS
CLASS INFORMATION, REQUIREMENTS AND OUTLINE
Professor Michael Hazilla

Required Text

Chomsky, N. *Chomsky on Mis-Education* (Rowman and Littlefield, 2000) [ISBN 0-7425-0129-9]

Grinde, D.A. and B.E. Johansen. *Ecocide of Native America: Environmental Destruction of Indian Lands and Peoples* (Clear Light Publishers, 1995) [ISBN 1-57416-005-2]

Klein, Naomi *The Shock Doctrine: The Rise of Disaster Capitalism* (Metropolitan Books and Henry Holt, 2007)

Krugman, Paul *The Conscience of a Liberal* (Norton, 2007) [ISBN 13-978-0-393-06069-0]

Laduke, W. *All Our Relations: Native Struggles for Land and Life* (South End Press, 1999) [ISBN 0-89608-599-6]

Roy, A. *The Cost of Living* (Modern Library, 1999) [ISBN 0-375-75614-0]

Shiva, V. *Water Wars - Privatization, Pollution, and Profits* (South End Press, 2002) [Library of Congress Control Number 2002100340]

Shiva, V. *Stolen Harvest: The Hijacking of the Global Food Supply* (South End Press, 2000) [ISBN 0-89608-607-0]

Singer, P. *One World: The Ethics of Globalization* (Yale, 2002) [ISBN 0-300-10305-0]

Singer, P. and J. Mason *The Way We Eat: Why Our Food Choices Matter* (Rodal, 2006) [ISBN 13978-1-57954-889-6]

Singer, P. *Writings on an Ethical Life* (Recommended, Harper Collins, 2000) [ISBN 0-06-019838-9]

Speth, J. G. *The Bridge at the Edge of the World: Capitalism, the Environment, and Crossing from Crisis to Sustainability* (Yale University Press, New York, 2008] [ISBN 978-0-300-13611-1]

Taylor, J. B. *Principles of Microeconomics* (Houghton Mifflin Company, Boston 2007) [ISBN 0-618-05625-4]

Administrative

Class Hours : Tuesday/Friday

Office : Roper Hall 123

Telephone : Work 202 885-3148 and Home 301 528-5377

Office Hours : TBA and By Appointment

E-mail : Not Applicable

Course Objectives The **first** objective of the course is to provide an *elementary theoretical introduction* to modern microeconomics. The course will present the *conceptual foundations* of microeconomics. Simple economic models will be used to demonstrate the *Principle of Optimization* and the *Principle of Equilibrium*. *Comparative Static Analysis* will be used to *compare equilibriums*. Lectures devoted to foundations will cover basic algebra, supply and demand, elasticities, the theory of consumer choice and the theory of the firm. This part of the course is *very analytical* but not excessively mathematical. Our analytic approach to microeconomics, based on *mathematical analysis*, is one that applies rigorous and logical reasoning using simple algebra and graphical techniques.

The **second** objective of the course is to analyze economic externalities and examine market failure in the context of the military-political-economic nexus and the *social costs* of *economic inequality* underlying neoliberalism and neoconservatism. We will illustrate the nexus by investigating issues underlying the destruction of Native American land and culture, hijacking of the food supply, factory farming and food ethics, water wars associated with the *corporatization* of public goods, and the ethics of globalization. More directly, we will analyze how *modern capitalism is destroying the planet*.

Since microeconomics may be broadly defined as a way of thinking about resource allocation problems based on the pricing mechanism, this class will develop *algebraic tools* necessary for the analysis of resource allocation problems facing economic agents such as consumers and firms. While many specific theoretical tools will be developed in this class, emphasis will also be placed on applications derived from questions facing consumers such as the *best way to allocate a fixed amount of income*.

With regard to the required texts note the following. Taylor's *Microeconomics* will serve as the basic text. Chomsky *Chomsky on Mis-Education* and Krugman *The Conscience of a Liberal* be required for Exam 1. Roy's *The Cost of Living* and Shiva's *Water Wars - Privatization, Pollution, and Profits* are the basis for essay questions on Exam 2. Selected readings from Laduke's *All Our Relations: Native Struggles for Land and Life*, Grinde and Johansen's *Ecocide of Native America: Environmental Destruction of Indian Lands and Peoples*, Shiva's *Water Wars - Privatization, Pollution and Profits* and *Stolen Harvest: Hijacking of the Global Food Supply* as well as Singer's *One World* and Singer and Mason's *The Way We Eat: Why Our Food Choices Matter*, Klein's splendid book *The Shock Doctrine: The Rise of Disaster Capitalism* and Speth's *The Bridge at the Edge of the World: Capitalism, the Environment, and Crossing from Crisis to Sustainability* as the basis for the Research Paper.

Course Requirements and Grading The course assumes knowledge of algebra and geometry and graphs at the level covered in the University Mathematics Requirement. The requirements include Basic Algebra and Finite Mathematics. *Algebra* will be reviewed and used extensively throughout the first part of the course. Economics students should know their algebra and we will spend the first part of the course *reviewing* and *applying* basic mathematics. The mathematical approach is emphasized simply because the modern approach to economics is indisputably mathematical. *The mathematical approach to economics does not differ in any fundamental way from non-mathematical approaches but the mathematical approach is more clear and precise inasmuch as we need to state assumptions before using the language of mathematics and building economic models*. Students must learn and master the elementary mathematics used in the course.

Grades will be based on two closed-book examinations, and a research paper. Studying together is encouraged. Your grade is be based on the following.

- Exam 1 : 35 Points [Exam 1a on October 10 (Friday) and Exam 1b on October 14 (Tuesday)]

- Exam 2 : 35 Points [Exam 2a on November 11 (Tuesday) and Exam 2b on November 14 (Friday)]

- Research Paper : 30 Points (December 12, Friday)

- Student Conduct : 20 Points

Students should be aware at the outset of this course that **I do not give the grade incomplete!** I assume that when you receive this syllabus it gives you the rules and you can plan your time accordingly. Failure to complete course requirements means that you fail whatever part you did not finish. The failure is then included in your grade as the above weighing scheme implies. **There are no makeup exams**. Medical excuses from the University Health Services are **not** acceptable. All exams and review exercises are problem oriented and emphasize your problem solving skills. If you have any questions then please let me know. Lecture notes or notes of any kind and the books assigned for exams cannot be used during exams. You should be adequately prepared for exams by attending lectures and doing the problem sets and doing the readings.

Examination Review Problem Sets Examination review problem sets are taken from previous examinations. Learning-By-Doing is an important part of the practice of microeconomics. It is the consensus of many practitioners (students) of the art that *algebraic* problems are a highly effective educational tool. Some of the review problems are relatively easy, while others will require considerable thought. The more difficult problems are well worth the effort since they ensure your mastery of the exam material. You should work all problems in preparing for exams.

Instructions for Examination Review Problem Sets and Office Hours Study and work assigned problems carefully. Be sure you can give a complete description of the problem and include a discussion of the economic content of the problem. All details for solving the problem should be provided with your answer (be sure to work logically through each problem and identify the basic steps associated with arriving at the solution). Start each problem at the top of a new page! Finally, please ask for assistance at any time if you are having trouble with the assignment. Obviously, it is not a good idea to wait until a few days before the exam to work the problems. Rather, you should review the assignment immediately and begin working solutions to the problem set so that you can meet the particular due dates given in class. Use the sign-up sheet posted outside my office to schedule your appointment during office hours. Be sure you are prepared to discuss your problem.

Student Conduct Rules for student conduct are as follows. Eating in class is **not** allowed. Students are to arrive for lectures on time. Students are **not** to leave before the lecture is completed. Other than asking questions, talking during lectures is **not** allowed. No cell phones. If a student is late to a lecture or leaves a lecture early, then Professor Hazilla will request a note from the student acknowledging their action. Similarly, if Professor Hazilla needs to stop a lecture for loud talking, then Professor will again request a note from the student acknowledging their talking during the lecture.

Student conduct is used in computing your grade in this course. Every student automatically gets full credit for good conduct which amounts to twenty points of the grade. Students who have not practiced good conduct, get zero points rather than twenty points and the zero points is used in the computation of the final grade. Class attendance is **not** required.

Academic Honesty Academic Honesty is essential in this class. The *Academic Integrity Code* is at the foundation of your education at American University. I remind you that all work turned in is expected to be your own. You may collaborate with others, but work assigned as Examination Review Problem Sets may be collaborative *only* to the extent of discussing the general problem and approach. Solutions, written discussion, and analysis must be your own. If I find evidence that cheating or plagiarism has occurred, then I will turn the evidence over to the College of Arts and Sciences. The penalties for plagiarism and cheating include dismissal from the University, dismissal from the College and failure in Economics 19.200. An explanation concerning **Academic Dishonesty** is appended to the student's transcripts.

Schedule of Lectures and Exams - Fall 2008

Mathematics Review

Week 1 Course Overview and Review - Quiz 1

Week 2 Two Variables - Linear and Nonlinear Equations

Week 3 Three Variables - Linear, Nonlinear Equations and Optimization

Supply and Demand

Week 4 Supply and Demand

Week 5 Supply and Demand and Review Handout for Exam 1

Week 6 Chomsky/Krugman (Friday October 3)

Week 7 Review and **Exam 1a** (Friday October 10)

Week 8 **Exam 1b** (Tuesday October 14 / No Class October 17 – Fall Break)

Consumer Choice and Firm Behavior

Week 9 Budget Constraint and Preferences

Week 10 Utility Maximization and Review Handout for Exam 2

Week 11 Theory of the Firm, Roy and Shiva (Friday November 7)
Research Paper Readings and Questions

Week 12 **Exam 2a** (Tuesday November 11) and **Exam 2b** (Friday November 14)

Week 13 Research Paper Discussion (Speth): Public Goods, Externalities and Market Failure

Research Paper

Week 14 Thanksgiving Week – No Classes

Week 15 Research Paper Discussion (Last class Friday December 5)

Week 16 Research Paper due December 12 (Friday)