

Principles of Microeconomics (Honors)
Fall 2008
Professor Mary Hansen

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Fall 2008 Office Hours: Monday 10-11am and 1:30-3:30 pm; Thursday 1:30-3:30 pm; by appointment.

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 on your own, 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 preface to 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 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:

Date	Reading
M 8-25	Intro and warm-up
Th 8-28	Ch. 1& 2
Th 9-4	Ch. 3
M 9-8	Ch. 4
Th 9-11	No class meeting (conference)
M 9-15	Ch. 5
Th 9-18	Ch. 6
M 9-22	Ch. 7
Th 9-25	Review
M 9-29	First Exam
Th 10-2	Ch. 8-9
M 10-6	Ch. 10-11
Th 10-10	Ch. 21 (not a typo)
M 10-13	Finish Ch. 21; do Ch. 12
Th 10-16	Ch. 13
M 10-20	Ch. 13
Th 10-23	Review
M 10-27	Second Exam
Th 10-30	Ch. 14
M 11-3	Ch. 15
Th 11-6	Ch. 17
M 11-10	Ch. 18
Th 11-13	Third Exam
M 11-17	Presentations & begin Ch. 19
Th 11-20	Presentations & continue Ch. 19, begin Ch. 20
M 11-24	Presentations & continue Ch. 20
M 12-1	Presentations & begin Ch. 22
Th 12-5	Presentations & continue Ch. 22
M 12-8	Fourth Exam at 11:20 a.m.

Assignment: Tap Your Inner Policy Wonk

Form a group of not more than four 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.” 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 policy decision we face.

For the first half of the semester, follow your policy topics in the news. Compile of 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 format.

In the couple of weeks after midterm, 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 defines the goal of the policy and uses an economic model of the effect of the policy to predict 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*. Your group will meet with Professor Hansen to make sure you’re on track.

After the meeting, 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. Requirements for the presentation appear on the next page.

Due dates:

Thursday, 10-16: Turn in notebook of clippings

Monday 11-3: Last day for initial consult with Prof. Hansen (follow ups can occur any time up until presentation)

Last weeks of class: Presentations (see course schedule; sign ups will be held in class)

Expectations for Policy Wonk Presentation

Grade	Expectations	Professor Comments
A	All of the expectations for a B are met, plus <ul style="list-style-type: none"> • All economic terms are used precisely, correctly. • The presentation budgets 3 minutes for Q&A (that is, the formal presentation is 7 minutes or less). 	
B	All of the expectations for a C are met, plus <ul style="list-style-type: none"> • The presentation uses at least one medium in addition to speech to engage the class. For example, you could use an overhead, make a poster, do a PowerPoint presentation, or whatever suits you. • The economic analysis (verbal and graphic) is fundamentally correct, but may contain minor mistakes. • The presentation gives enough description/background on the policy that all can easily understand the analysis. 	
C	<ul style="list-style-type: none"> • The presentation is ready on the assigned class day. • All members of the presentation team agree that each has shared pretty much equally in the preparation of the presentation. • The presentation includes the 3 elements discussed in class: “policy goal”, “economic analysis”, and an answer to “Will the policy move us towards its goal?” • The presentation is well-organized. • The presentation does not exceed 15 minutes. • All presenters are dressed in “at least” office-casual attire. • All information is fully cited (the format doesn’t matter, but prepare a bibliography). 	
D	One of the expectations for a C is not met.	
F	More than one of the expectations for a C are not met.	