

Rollins College
Department of Economics
ECO 303: Intermediate Microeconomics, Holt School
Spring 2015

Instructor: Dr. Somnath Sen
Office hours: T, R: 10 AM to 11.00 AM
W: 6 PM to 6.45 PM
(other times by e-mail appointment)

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Class times and venue: W: 6.50 to 9.15 PM CSS 135

COURSE DESCRIPTION:

"Economics is the study of how men and society choose with or without the use of money to employ scarce productive resources which could have alternative uses to produce various commodities over time and distribute them for consumption now and in the future amongst various people and groups of society". "The very name of my subject, economics, suggests economizing or maximizing."(Paul Samuelson)

Microeconomics is "the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses" (Lionel Robbins)

Aims: The concepts and methodologies used in the study of microeconomic behavior, both by individual households and firms as well as markets, are the focus of the course. We study primarily mainstream theories and models, often called neoclassical economics, which are used to explain microeconomic behavior, and apply the models to "real world" economic problems/situations through lectures, problem-solving and class discussion. We will also try to identify the strengths and weaknesses of mainstream microeconomic models. The course thus develops the knowledge and skills introduced in previous microeconomics courses, which you might have studied, adding both depth and breadth to the understanding of economic thinking and methodologies.

Objectives: On successful completion of this course students should be able to:

- Use key microeconomic concepts, models, and methodologies so that you can effectively apply them to economic problems and issues; effective application requires skills that include the ability to explain economic reasoning using words, calculations, tables and graphs; these skills will be assessed by assignments and tests.
- Identify main weaknesses of the neoclassical model and the extensions of the neoclassical model that mainstream economics has developed to address these weaknesses
- Utilize economic models to discuss policy issues such as the burden of taxation, regulation of monopolies, reduction of inequality, role of the government and the provision of public goods
- Further develop your skills in reading, writing, problem solving, critical thinking, and listening; these will also be assessed by assignments, tests, and course participation.

Topics: These are some of the core topics that we will discuss:

- Topic I: Introduction and Preliminaries: Thinking like a microeconomist
- Topic II: The Basics of Supply and Demand: An overview
- Topic III: Consumer Behavior: Rational household choice
- Topic IV: Individual and Market Demand: The demand function
- Topic V: Uncertainty and Consumer Behavior: Choice in an uncertain world
- Topic VI: Production: Theory of the firm
- Topic VII Cost of Production: Marginal and average cost
- Topic VIII: Profit Maximization and Competitive Supply: The supply function
- Topic IX: The Analysis of Competitive Markets: Allocative Efficiency
- Topic X: Market Power: Monopoly and Monopsony
- Topic XI: Pricing with Market Power: Discriminating monopolist
- Topic XII: Monopolistic Competition and Oligopoly: The ‘Corporation’
- Topic XIII: Game Theory and Competitive Strategy: Strategic interaction
- Topic XIV: Markets for Factor Inputs: Labor markets
- Topic XV: Markets for Factor Inputs: Capital markets
- Topic XVI: Asymmetric Information: On lemons
- Topic XVII: Externalities: Public Goods and public policy
- Topic XVIII: Inequality: Distributional efficiency

Due to time constraints:

- some chapters and portions of chapters may be omitted
- we will not have time to discuss all portions of the reading assignments in class
- students are expected to raise questions in class about course difficulties as well as interesting points that are not covered in the assignments.

COURSE MATERIAL

Main Reading:

Robert S. Pindyck and Daniel L. Rubinfeld, (2013), *Microeconomics*, Eighth Edition, Pearson Education, Inc. Publishing as Prentice Hall.

(This is a textbook written by two internationally acknowledged outstanding economists. Some parts of the book are mathematical but you will not be expected to analyze these issues. The course concentrates on understanding microeconomics and the use of mathematics is neither necessary nor sufficient to understand these economic problems. We will emphasize conceptual understanding not technical sophistry. The only techniques required will be graphical and core geometric and arithmetical concepts. If you have any difficulties, please let me know and I will endeavor to explain concepts more carefully.)

Supplementary Reading:

Frank, R. H., (2010), *Microeconomics And Behavior*, 8/e, McGraw-Hill/Irwin, (selected chapters)

New York Times - Register to use the on-line version at www.nytimes.com or, if available, pick up a print copy outside the café on the first floor of CSS

Instructor Handouts and Websites (to be distributed as the course progresses)

Blackboard site, which is used for assignments, syllabus and other readings under “Course Documents”

Economics in the Real World:

Websites, newspapers, magazines (in no particular order) for you to read and relate to the class analyses; discussions in class will use these sites and more; active participation, based on such material and the theoretical concepts, is important:

Amia Srinivasan , “Questions for Free Market Moralists”, October 20, 2013, NYT

<http://opinionator.blogs.nytimes.com/category/the-stone/>

Adam Davidson, “Are We in Danger of a Beer Monopoly?”, February 26, 2013 , New York Times.

http://www.nytimes.com/2013/03/03/magazine/beer-mergers.html?_r=0

Dan O'Neill, “The Economics of Enough”, The Guardian May 1, 2013

<http://www.theguardian.com/business/economics-blog/2013/may/01/economics-of-enough>

“A market for monopoly? Are business-to-business exchanges a force for good or evil? The answer is not as obvious as it seems”, The Economist, Jun 15th 2000.

<http://www.economist.com/node/82366>

“Microeconomics: A golden age of micro” The Economist, Oct 19, 2012

<http://www.economist.com/blogs/freeexchange/2012/10/microeconomics>

John Kay, “The Nobel Committee is muddled on the nature of economics”, Financial Times, October 15, 2012 (photocopy to be provided).

Elasticity of demand for healthcare: <http://mydatamine.blogspot.com/2010/12/demand-curve-for-healthcare-in.html>

“Economic inequality: In sickness and in health”, 12 October, 2013, The Economist,
<http://www.economist.com/news/business-books-quarterly/21587755-measuring-fairness-sickness-and-health>

Michelle Dammon Loyolka, “Chinese labor: cheap no more,” NYT, February 17, 2012.

<http://www.nytimes.com/2012/02/18/opinion/chinese-labor-cheap-no-more.html>

“The lemon dilemma”, The Economist, 11 October 2001,
<http://www.economist.com/node/813705>

Robert Shiller, “Creativity, companies, and the wisdom of crowds” The Guardian November 20, 2014

<http://www.theguardian.com/business/2014/nov/20/creativity-companies-and-the-wisdom-of-crowds>

“‘Wisdom of the crowd’: The myths and realities”. BBC July 8, 2014
<http://www.bbc.com/future/story/20140708-when-crowd-wisdom-goes-wrong>

“Land of the corporate giants,” The Economist, 3 November 2012,
<http://www.economist.com/news/finance-and-economics/21565609-economies-scale-run-out-certain-point-largest-firms-america-may-be>

“The gated globe”, The Economist, 12 October 2013,
<http://www.economist.com/news/leaders/21587785-gated-globe>

John Cassidy, “Piketty’s inequality story in six charts”, The New Yorker, 26 March, 2014
<http://www.newyorker.com/news/john-cassidy/pikettrys-inequality-story-in-six-charts>

EFFECTIVE STUDY METHODS

General issues:

In order to be successful in this course, students usually find that it is necessary to attend and participate in all classes and complete all of the assignments set for various class sessions. You should expect to spend approximately 6 hours outside of class per week on studying the relevant chapters and completing the assignments for this course in order to master the course work at the highest level.

Practice is an essential technique to help you succeed in this course. Students who do poorly on exams often claim “I knew the material but I wasn’t able to write it down.” This is an important indication of how well you can demonstrate your understanding of the course material - if you are not able to explain the reasoning behind your analysis, both verbally and graphically, then you do not understand the material well enough to meet the standards of this course. You can minimize the probability of this problem by practicing. Practice writing detailed verbal explanations; also, practice

graphing, and writing complete verbal explanations of what is shown on your graphs; where simple computations are required then check your answers. We will apply economic reasoning to current problems/issues/policies, as well as the problems/issues/policies that arise from class discussion. These need to be written up occasionally for future use in exam preparations.

Class notes:

1. You are expected to take detailed notes on everything that we do in class. Everything on the board should be in your notes. Some of the issues discussed orally by the instructor but not necessarily written on the board should be part of your notes. If you have difficulty taking notes in detail, see the Academic Resource Center for suggestions on how to take better and more complete notes.
2. I urge you to make a numbered list, at the top of the page of notes, of every single topic, which comes up in the class. This will be extremely helpful when reviewing for a test.
3. I suggest you purchase and maintain a notebook where each topic is given a designated space for note taking plus your own comments and questions.

CLASS CONDUCT

Students are expected to be in class during the entire class meeting, well prepared and ready to participate in class discussion. It is both disruptive for the class and detrimental to learning the material, if students enter/exit the room during the class meeting. However, I am flexible about these issues. Neither the students nor the professor are expected to eat during the class meetings. Before class the students should take care of personal business so they can focus on the course during its entire duration. Cell phones must be turned off. In case you must leave class early, for a legitimate reason (e.g. college sponsored activity), just let me know at the beginning of our class meeting.

Please feel free to come and talk to me about any problems related to the course during my office hours or any other time you see me in my office. If your schedule conflicts with my office hours or you keep missing me, contact me to set up an appointment. I will really try to answer e-mail within 3 working days, except when I may be away on research visits.

EXAMS

Exam Evaluation

First assignment (brief review essay)	10%
First exam	20%
Second exam	20%
Written assignments, class participation	20%
Final Exam	30%

Exam Grading:

A+ = 100	B+ = 88	C+ = 78	D+ = 68	F < 60
A = 95	B = 85	C = 75	D = 65	
A- = 92	B- = 82	C- = 72	D- = 60	

General Grading standards

Grade A is reserved for work that is exceptional in quality and shows keen insight, understanding, and initiative.

Grade B is earned by work that is consistently superior and shows mastery of most of the course goals.

Grade C is a respectable grade. It reflects consistent preparation and satisfactory completion of all or most required work.

Grade D is the lowest passing grade. It is below the average necessary to meet graduation requirements.

Grade F is a fail

There will be no make-up exams. If you are not in class the day of the final exam, your grade for that exam is zero unless you can prove you have a legitimate (such as: illness, emergencies, scheduled College-sponsored activities or job-related obligations) and verifiable reason. If you have any extenuating circumstance or legitimate excuse for missing an exam, you must notify me as soon as possible. The weight of the missed final exam will be added to the performance in your assignments

HONOR CODE

The Academic Honor Code: Membership in the student body of Rollins College carries with it an obligation, and requires a commitment, to act with honor in all things. Because academic integrity is fundamental to the pursuit of knowledge and truth and is the heart of the academic life of Rollins College, it is the responsibility of all members of the College community to practice it and to report apparent violations.

The following pledge is a binding commitment by the students of Rollins College: The development of the virtues of Honor and Integrity are integral to a Rollins College education and to membership in the Rollins College community. Therefore, I, a student of Rollins College, pledge to show my commitment to these virtues by abstaining from any lying, cheating, or plagiarism in my academic endeavors and by behaving responsibly, respectfully and honorably in my social life and in my relationships with others.

This pledge is reinforced every time a student submits work for academic credit as his/her own. Students shall add to all papers, quizzes, tests, lab reports, etc., the following handwritten abbreviated pledge followed by their signature:

“On my honor, I have not given, nor received, nor witnessed any unauthorized assistance on this work.”

Material submitted electronically should contain the pledge; submission implies signing the pledge.

Students with Disabilities: Rollins College is committed to equal access and does not discriminate unlawfully against persons with disabilities in its policies, procedures, programs or employment processes. The College recognizes its obligations under the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990 to provide an environment that does not discriminate against persons with disabilities.

If you are a person with a disability on this campus and anticipate needing any type of academic accommodations in order to participate in your classes, please make timely arrangements by disclosing this disability in writing to the Disability Services Office at (box 2772) – Mills Building, 1000 Holt Ave., Winter Park, FL, 32789 or call 407-646-2354 or email at gridgey@rollins.edu.