

## Principles of Microeconomics

### Instructor Information

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Office Hours: T and TR 9.45am – 11.00 am or by appointment. Send me an email if you cannot make it to my office hours to set an appointment. Walk-ins are welcome.

### Course Information

Meeting Place: SHB186 TTR 11.00 -12.20 pm  
Course Number: ECON 2302-03  
Semester: Fall 2017  
Credit Hours: 3  
CRN: 80203

### Tutoring

There is free tutoring available in room SHB-108 Monday to Friday from 11.00am to 4.30 pm. Tutoring is done on a first-come first-serve basis.

### Course Content

Microeconomics is the study of how consumers and firms behave when there are limited resources and unlimited wants. The main idea of the course is not to provide you with lots of facts for you to memorize and that will be soon outdated. Rather, the course will teach you tools, concepts, and knowledge that you can use for many years. ***You will develop economic intuition and start thinking like an economist.*** Moreover, the class will help you to make better decisions and to determine how government policies can affect society positively or negatively. Topics include the basics of supply and demand, elasticity, taxes, production costs, perfect competition, monopoly, oligopoly, monopolistic competition, public goods, and externalities. Some basic math will be used in class and I will teach it along the semester as we need it. At the end of the semester you will be able to:

- A) Understand opportunity costs: Economics is the study of the best allocation of scarce resources to meet unlimited wants. Making good decisions is key to economic reasoning; good decisions require an understanding of opportunity cost.
- B) Understand marginal cost and marginal benefit: in order to make good decisions to achieve the optimal allocation of resources it is essential to understand marginal cost and marginal benefits
- C) Understanding the free markets: prices and the market system act with very little intervention

to coordinate the production and consumption decisions of thousands of firms and millions of consumers. An understanding of the market system is fundamental for good decision making, in business and in life. Markets are also imperfect and consequently understanding when markets fail to maximize society's welfare is essential.

D) Understand different types of market structures and firm's costs.

### **Required Textbook**

Bade and Parkin, "Foundations of Economics", 8th Edition, 2017, ISBN: 0134486811.

The "eText" version of the book is free for all students registered in the class and it is available in Blackboard in the "Textbook" menu item on the left.

I will send you specific instructions on how to access it at the beginning of the semester. You DO NOT NEED TO BUY AN ACCESS CODE, I will provide you with that.

### **Assignments and Grading**

Grading will consist of exams, homework and in-class quizzes.

#### **I. Exams**

- 1) There will be three partial exams and one final exam.
- 2) Each partial test has a weight of 20% on your final grade for a total of 60%.
- 4) The final exam is comprehensive and mandatory and has a weight of 15% in your final grade.
- 5) To help you out, the final exam grade substitutes the lowest grade of your partial exams. For example, imagine that your grades in the partial exams are: 90, 85 and 65. Then you take the final and obtain a grade of 75. In this case, the grade of 65 in your lowest partial exam is substituted for a grade of 75 and that 75 has a weight of 35% in your final grade (15% from the final exam and 20% from the partial exam). If the final exam grade is no better than any of your partial exam grades your lowest exam grade will not be substituted, you will keep your old higher grade and the final exam grade will count only for 15% of your final class grade.
- 6) I will post a practice test before each partial exam and you can get extra credit points in the actual exam for doing the practice exam (see below for details).
- 7) See the class calendar for each exam date.

#### **II. Homework**

- 1) There will be six homework sets.
- 2) The homework set will be similar to the midterms.
- 3) The main purpose of the homework is to better prepare you for the partial exams and to familiarize you with the material.
- 4) The homework will be posted online and you MUST input your answers online (do not email me the answers or turn them in by hand).
- 5) You will have about a week to work on the homework. In the class calendar you will see the date each homework is posted and the due date. You can save your work on and come back later to finish the homework. However, make sure that you must submit your answers by the due date and time.
- 6) THE HOMEWORK IS DUE AT MIDNIGHT OF THE RESPECTIVE DUE DATE.

7) Because the homework is online, you will have two attempts for each homework and I will only count your highest grade of those two attempts. However, you must submit the homework before the due date and time. Right after submitting your first attempt you can see your grade, the questions, your answer and the correct answer for each question in the homework. You can use this information to study and take the homework again. When you take it again a new set of questions will show up and you can use your previous attempt to study and answer the second attempt. After you submit your second attempt you will be able to see your grade, the questions, your answer and the correct answer for each question in that attempt as well. You can save your homework and come back later in both attempts so you do NOT have to do it in one sitting. Remember, **I will only count your highest grade out of those two attempts as your grade for that homework.** For example, imagine that you take Homework 1 and you get 70 in the first attempt and 85 in the second attempt, then your grade in Homework 1 is 85.

8) Homework will be graded from 0 to 100. If you do not input your answers before the due date and time you get a zero.

9) When calculating your final grade, I drop your lowest homework grade and then calculate your homework average.

10) The homework average (without the lowest grade) has a weight of 20% in your final grade.

### **III. Quizzes**

1) There will be a total of six in-class quizzes in the semester.

2) The main purpose of the quizzes is to make sure that you are following the material so they have a small weight on your final grade.

3) Each quiz consists of two or three easy questions about the most important topics of the previous two classes (see the class calendar). Do not stress about the quizzes too much, if you study the material you should be able to get a good quiz grade.

4) Quizzes will take place in the first five minutes of some classes. See the class calendar for the specific days quizzes will take place. Make sure you come to class early those days. If you come late you may miss the quiz and get a zero on that quiz.

5) Quizzes will be graded from 0 to 100. If you do not take the quiz you get zero.

6) When calculating your final grade, I drop your lowest quiz grade and then calculate your quiz average.

7) The quiz average (without the lowest grade) has a weight of 5% in your final grade.

### **SUMMARY OF GRADING ITEMS AND WEIGHTS**

<b>Exam 1.....</b>	<b>20%</b>
<b>Exam 2.....</b>	<b>20%</b>
<b>Exam 3.....</b>	<b>20%</b>
<b>Final Exam.....</b>	<b>15%</b>
<b>Homework Average (w/out lowest grade).....</b>	<b>20%</b>
<b>Quiz Average (w/out lowest grade).....</b>	<b>5%</b>
<b>Total.....</b>	<b>100%</b>

## **Answers to online assignments**

Every online assignment (Homework and Practice Exam) is different for each student. Because of this, after you have submitted your assignment you will be able to see your score, your answer and the correct answer for every question in your assignment. This means that you DO NOT HAVE to wait until the due date to see the answers. You can access this information any time after you have submitted your assignment by going to "My Grades" and clicking on the grade for that assignment.

## **Late Assignment and Make-up Policy**

I understand that life happens during the semester but I also want to be fair to everyone else. So, I am trying to balance things out. If you cannot take an exam on time because of a medical or family emergency, some kind of University athletic activity or other justifiable reason then let me know and I will allow you to take it earlier or later without any penalty (within a reasonable timeframe). However, be prepared to show me some documentation to substantiate your claim. This for when things get real, so I went out and party because the Texans won does not count, unless you get hurt celebrating, then it counts. In any case, talk to me and we can figure something out. You will not be able to take the exam later if I have already returned the exam to the rest of the class. In those cases, you will have to take a zero for that test and use the final exam to replace the zero.

## **Extra Credit Practice Exams**

You can also get extra points in the partial exams by doing the corresponding Partial Exam online on Blackboard. The practice exam is posted before each partial exam and it is similar (although not the same) to the actual test. I know that if you work on the practice exam you will do better in the actual test, so I am doing this to incentivize you to work on the practice exam.

In the class calendar, you can see when each practice exam will be posted and when it closes.

This is how it works (read it carefully, it's not the usual blah, blah):

- 1) You can take the Practice Exam as many times as you want but I will only consider the highest grade you get in all of your attempts to give you extra points.
- 2) If your highest grade out of all your attempts is between:  
60 to 69 you get 1 extra point in the actual test,  
70 to 79 you get 2 extra points in the actual test,  
80 to 89 you get 3 extra points in the actual test,  
90 to 99 you get 4 extra points in the actual test,  
100 you get 5 extra points in the actual test,
- 3) Once you have finished each attempt of the Practice Exam you can check your answers and the correct answers by going to "mygrades" and clicking on your grade (the same way you would check it for the other assignments).
- 4) Every time you take the Practice Exam a new set of questions will be drawn randomly from a pool of questions. Therefore, you will see slightly different questions every time you take it.
- 5) You have up to 75 minutes to finish each attempt. Each attempt must be finished in one sitting. That means you cannot pause or stop the clock. To be fair to everyone, once the 75 minutes are up the practice exam will be automatically submitted if you have not submitted it yet.

6) Practice Exam will remain open until right before the actual exam. For example, the Practice Exam 1 will close on September 26th at 11.00 am.

7) The Practice Exam is under the "Extra Credit Practice Exams" unit.

8) Please notice that these are extra credit points, if you do not want to do it, it is ok and it will not lower your Exam grade. This is just to help you.

Please remember, that there is no penalty for taking the Practice Exam multiple times. In fact, I want to encourage you to take it as many times as possible. The more practice you get the better prepared you will be for the actual test.

Example: Alex takes the Practice Exam 2 four times and he gets the following scores: 50, 78, 90, 60. This means that Alex will get 4 extra points added to this Exam 2 grade because the highest grade in all of his attempts is a 90. Then, Alex takes the actual Exam 2 and gets a grade of 86. In this case, the Total Exam 2 Grade for Alex is  $86 + 4 = 90$  for a letter grade of "A".

## Attendance

I will take attendance starting on the first day of class by University's regulations. However, attendance for extra points will start on the second class. In order for your presence to count as attendance, you have to stay for the whole class time.

Attendance is important but not required. I believe that you will learn more if you come to class:

**If you do not miss any classes, you will receive a bonus of 2 points out 100 of in your final grade. If you only miss one or two classes you will receive one bonus point.**

## Final Numerical and Letter Grade.

The final numerical grade is calculated as follows:

(Homework Average without the lowest grade) x 0.20
+
(Quiz Average without the lowest grade) x 0.05
+
(Exam 1) x 0.20
+
(Exam 2) x 0.20
+
(Exam 3) x 0.20
+
(Final Exam) x 0.15
[if final exam grade is higher than lowest partial exam grade then lowest partial exam grade is dropped, final exam replaces that grade and it is multiplied by 0.35]
+
Extra Points for Attendance
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Final Numerical Grade

Once I obtain the final numerical I will assign a letter grade using the following table. Please note that there is no curve in the final numerical grade.

Final Numerical Grade	Final Letter Grade
90 to 100	A
80 to 89	B
70 to 79	C
60 to 69	D
Less than 60	F

### **Important Dates**

Exam 1      Tuesday, September 26<sup>th</sup>  
Exam 2      Thursday, October 26<sup>th</sup>  
Exam 3      Thursday, November 30<sup>th</sup>  
Final Exam Thursday, December 7<sup>th</sup> (12.00 to 1.30 pm)

### **Email and Phone**

During the semester I will be sending emails to the students in the class. These emails go from reminders about assignments to clarifications to the lecture notes or if I add additional material. The emails are sent to your SHSU account, make sure that you have a working SHSU email.

### **Academic dishonesty, students with disabilities, visitors to the classroom and religious holiday policies.**

I will follow the University's policies for academic dishonesty, students with disabilities, visitors to classroom and religious holidays posted in the following link: <http://www.shsu.edu/syllabus>

### **Classroom Policies.**

During lectures, the only rule is that you do not behave in a manner that disrupts or distracts the learning process. You can use your cell phone, tablet or laptop in a discreet and non-disruptive manner to me and to the other students. Use common sense. The penalties for not following this simple rule are up to my discretion.

During exams cell phones, tablets, smart watches or any communication device are NOT allowed. We must follow Academic Policy Statement 100728 that states the *use of these devices during a test is considered de facto evidence of cheating and could result in a charge of academic dishonesty.* Moreover, this policy also states that even the visible presence of such devices during exams can be considered as cheating. I have no choice in this matter, so if your phone or communication device is visible or you use it during a test then it is considered as cheating. The penalties for cheating are up to my discretion but they usually result in an "F" in the class.

The link to Academic Policy Statement 100728 is below:

<https://www.shsu.edu/dotAsset/6d35c9c9-e3e9-4695-a1a1-11951b88bc63.pdf>

## **Economics Department's Webpage**

Whenever you have some free time go to the Department of Economics website where you can find updated information about our department, resources for students, information about scholarships, study abroad programs and much more.

Economics Department webpage: <http://www.shsu.edu/academics/economics-and-international-business/>

## SUMMARY OF MANDATORY AND EXTRA CREDIT ASSIGNMENTS

Mandatory Assignments			
Assignment	Weight in Final Grade	Date	Purpose
Exam 1	20%	September 26th	Test your knowledge of the material
Exam 2	20%	October 26th	Test your knowledge of the material
Exam 3	20%	November 30th	Test your knowledge of the material
Final Exam*	15%	December 7th	Test your knowledge of the whole semester. Final is comprehensive.
Homework Average (without lowest grade)	20%	Homework 1: Sept. 5th to Sept. 12th Homework 2: Sept. 14th to Sept. 21st Homework 3: Oct. 5th to Oct. 12th Homework 4: Oct. 17th to Oct. 24th Homework 5: Nov. 7th to Nov. 14th Homework 6: Nov. 16th to Nov. 28th	Prepare you for the exams.
Quizzes	5%	Quiz 1: Sept. 5th Quiz 2: Sept. 19th Quiz 3: Oct. 10th Quiz 4: Oct. 19th Quiz 5: Nov. 2nd Quiz 6: Nov. 14th	Assure that you are following with the class material
Total	100%		
	*If your Final Exam grade is higher than your lowest exam grade then your final exam grade will be used as your lowest grade for a total weight of 35% and your lowest partial exam grade will be dropped.		
	Optional Extra Credit Assignments		
Attendance Extra Points	If you do not miss any classes, you will receive a bonus of 2 points in your final grade. If you only miss one or two classes you will receive one bonus point. More than two absences you do not get any extra credit.		
Extra Credit Practice Exam	If your highest grade in all of your submissions of the Practice Exam is between 60 to 69 you get 1 extra point in the actual test; 70 to 79 you get 2 extra points in the actual test, 80 to 89 you get 3 extra points; 90 to 99 you get 4 extra points; 100 you get 5 extra points.		



## CLASS CALENDAR

<b>Thursday</b> <b>August 24th</b> <hr/> <b>First Day of Class</b>	<b>Tuesday</b> <b>August 29th</b> <hr/>	<b>Thursday</b> <b>August 31st</b> <hr/>	<b>Tuesday</b> <b>September 5th</b> <hr/> <b>In-class Quiz 1</b> <b>Homework 1 Assigned</b>	<b>Thursday</b> <b>September 7th</b> <hr/>	<b>Tuesday</b> <b>September 12th</b> <hr/> <b>Homework 1 Due at Midnight</b>
<b>Thursday</b> <b>September 14th</b> <hr/> <b>Homework 2 Assigned</b>	<b>Tuesday</b> <b>September 19th</b> <hr/> <b>In-class Quiz 2</b>  <b>Practice Exam 1</b> <b>Posted on Blackboard</b>	<b>Thursday</b> <b>September 21st</b> <hr/> <b>Homework 2 Due at Midnight</b>	<b>Tuesday</b> <b>September 26th</b> <hr/> <b>EXAM 1</b>  <b>Practice Exam 1 closes</b> <b>at 11.00 am</b>	<b>Thursday</b> <b>September 28th</b> <hr/>	<b>Tuesday</b> <b>October 3rd</b> <hr/>
<b>Thursday</b> <b>October 5th</b> <hr/> <b>Homework 3 Assigned</b>	<b>Tuesday</b> <b>October 10th</b> <hr/> <b>In-class Quiz 3</b>	<b>Thursday</b> <b>October 12th</b> <hr/> <b>Homework 3 Due at midnight</b>	<b>Tuesday</b> <b>October 17th</b> <hr/> <b>Homework 4 Assigned</b>	<b>Thursday</b> <b>October 19th</b> <hr/> <b>Practice Exam 2</b> <b>Posted on Blackboard</b>  <b>In-class Quiz 4</b>	<b>Tuesday</b> <b>October 24th</b> <hr/> <b>Homework 4 Due at midnight</b>
<b>Thursday</b> <b>October 26th</b> <hr/> <b>EXAM 2</b>  <b>Practice Exam 2 closes</b> <b>at 11.00 am</b>	<b>Tuesday</b> <b>October 31st</b> <hr/>	<b>Thursday</b> <b>November 2nd</b> <hr/> <b>In-class Quiz 5</b>	<b>Tuesday</b> <b>November 7th</b> <hr/> <b>Homework 5 Assigned</b>	<b>Thursday</b> <b>November 9th</b> <hr/>	<b>Tuesday</b> <b>November 14th</b> <hr/> <b>In-class Quiz 6</b>  <b>Homework 5 Due at midnight</b>
<b>Thursday</b> <b>November 16th</b> <hr/> <b>Homework 6 Assigned</b>  <b>Practice Exam 3</b> <b>Posted on Blackboard</b>	<b>Tuesday</b> <b>November 21st</b> <hr/>	<b>Tuesday</b> <b>November 28th</b> <hr/> <b>Homework 6 Due at midnight</b>	<b>Thursday</b> <b>November 30<sup>th</sup></b> <hr/> <b>EXAM 3</b>  <b>Practice Exam 3 closes</b> <b>at 11.00 am</b>	<b>FINAL EXAM</b>  <b>Thursday December 7<sup>th</sup> : 12.00– 1.30 PM</b> <b>Practice Final Exam Posted on Blackboard on</b> <b>December 1<sup>st</sup> (closes at 12pm pm on December</b> <b>7<sup>th</sup> )</b>	

## **Outline of Topics.**

### **Topic I. Introduction**

**Textbook Chapter: 1**

1. The economic problem.
2. Scarcity and Choice
3. What to Produce
4. How to Produce
5. For whom to Produce
6. How People Make Decisions

### **Topic II. Opportunity costs and gains from trade**

**Textbook Chapter: 3**

1. Production possibility frontier
2. Opportunity costs
3. Comparative advantage vs competitive advantage

Math Applications.

1. Equation of the line
2. Slope and opportunity cost.
3. Graphing

### **Topic III. Marginal analysis: Supply and Demand**

**Textbook Chapter: 4**

1. Total and Marginal Willingness to Pay
2. Marginal Willingness to Pay and Demand
3. Demand Schedule and Demand Curve.
4. Inverse and Demand Equation
5. Law of Demand
6. Shifts in the Demand Curve
7. Market Demand versus Individual Demand
8. Supply Curve
9. Shifts in the Supply Curve

### **Topic IV. Elasticity of demand and supply**

**Textbook Chapter: 5**

1. Price Elasticity of Demand and its Determinants
2. Necessities versus Luxuries
3. Income and Cross-price Elasticity of Demand
4. Price Elasticity of Supply and its Determinants

Math Application

1. Calculating Percentage Change.
2. Midpoint Formula
3. Computing the Price Elasticity of Supply.
4. Computing the Elasticity of Demand

**Topic V: Market Equilibrium****Textbook Chapter: 6**

1. Definition of Markets.
2. Equilibrium: Supply and Demand Together
3. Changes in Equilibrium
4. Price controls
5. Surplus and scarcity

**Math Application**

1. Obtaining equilibrium price and quantity.

**Topic VI. Market Efficiency****Textbook Chapter: 6**

1. Consumer surplus
2. Producers' Surplus
3. Total Surplus and Welfare
4. Market Efficiency
5. Marginal Cost and Marginal Benefit

**Topic VII. Taxes****Textbook Chapter: 8**

1. New price and quantity with taxes
2. Costs of taxation
3. Deadweight Loss
4. Tax Revenue
5. Elasticity and taxes
6. Cost of taxation

**Topic VIII. Market Failures: Externalities****Textbook Chapter: 10**

1. Externalities as a special case of public goods
2. Externalities and Market Inefficiency.
3. Negative and Positive Externalities
4. Pollution and the environment

**Topic IX. Market Failure: Public Goods****Textbook Chapter: 11**

1. Public goods
2. Common Goods
3. Artificially Scarce Goods
4. The Free-Rider Problem
5. Common Resources
6. Public good and market inefficiency

**Topic X. Game Theory****Textbook Chapter: 18 (section 18.3 only)**

1. Dominant Strategy

2. Nash Equilibrium
3. Prisoner's Dilemma
4. Repeated Games
5. Sequential Games

**Topic XI. Technology and Production Costs.**

**Textbook Chapter: 14**

1. Definition of costs
2. Types of Costs
3. Measurement of Costs
4. Costs in the Short Run and in the Long Run

**Topic XII. Competitive Market (Perfect Competition)**

**Textbook Chapter: 15**

1. Definition of competitive market
2. Profit Maximization and the Competitive Firm's Supply Curve
3. The Supply Curve in a Competitive Market

**Topic XIII. Monopoly**

**Textbook Chapter: 16**

1. Why Monopolists Arise?
2. Profit maximization: marginal revenue and demand curve
3. Quantity and Price under Monopoly
4. Welfare Costs
5. Price Discrimination

**Topic XIV. Monopolistic competition**

**Textbook Chapter: 17**

1. Competition with differentiated products.
2. Profit maximization
3. Advertising

**Topic XV. Oligopoly**

**Textbook Chapter: 18**

1. Markets with only few sellers
2. Profit maximization
3. Games Theory and Economics of Cooperation

Additional Topic if there is enough time

**Topic XVI. Private Information and Healthcare Markets**

**Textbook Chapter: 12**

1. Market for Lemons
2. Adverse Selection and Moral Hazard
3. Healthcare Markets
4. Universal coverage, single payer and Obamacare.