

Cedar Crest College
Economics 102
Principles of Economics: Micro
3 Credits
Fall 2009

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Office Hours: Mon. 11:00 – 12:00, 3:00 – 4:00

Wed. 11:00 – 12:00, 3:00 – 4:00

Fri. 11:00 – 12:00, 3:00 – 4:00

Text and Readings:

1. McConnell, Campbell R., Stanley L. Brue, and Sean M. Flynn, Microeconomics: Principles, Problems, & Policies. Eighteenth Edition, McGraw-Hill, Inc. 2009. (ISBN: 978-0-07-336595-4)

2. Wall Street Journal. 15 week student subscription. Click [here](#) to subscribe online. (Click on the “Students” button, then the “Subscribe now” button, and then the “Semester schools” link.) You will be billed \$34.95. I apologize for the extra cost, but we will be using the WSJ for current events and for the project.

Description:

This course starts with an overview of basic economic concepts and principles and an analysis of how resources are allocated in capitalist economies and in alternative economic systems, then focuses on the role of government in a market economy and the efficiency of market structures ranging from pure competition to monopoly. The course will include a brief survey of international economics.

Course Objectives:

This course provides an overview of basic economic principles, which are powerful tools for understanding what’s going on in the world and in our daily lives. Economics is about how well society uses its resources to produce the goods and services that it needs. The basic goal of this course is to develop a framework for understanding events and policy issues.

Course Outcomes:

Economics is not a set of facts to be learned, it is a framework for thinking about problems and issues and for analyzing policies. Students should be able to:

- Understand and utilize the basic economic principles needed to think coherently and consistently about the wide range of social problems that economic theory illuminates.
- Understand how various economics systems solve fundamental social problems regarding the production and distribution of goods, as well as the distribution of

- wealth and power in society.
- Understand the conditions under which free markets will provide the best use of society's scarce resources, and how government intervention can improve on the market outcome when those conditions are not met.

Assessment:

Students will utilize economic principles to explain the operation of markets and the efficiency and shortcomings of various market structures via examinations, the project, and the use of current events.

Examinations:

There will be two hourly exams and a cumulative final exam. Exams can be rescheduled only with approval of the instructor **prior** to the exam date or in the event of an emergency.

The exam schedule is as follows:

- Exam 1 will be available September 21 – September 27.
- Exam 2 will be available November 16-November 22.
- The final exam will be available December 7-December 13.

Grading:

The two hourly exams and a cumulative final exam will each count 20% of your grade. A stock market project (the assignment is in the Course Home) will count for 20% of your grade. The homework assignments will also count for 20% of your grade. Your grade will reflect your understanding of the concepts covered in the course as well as your ability to apply tools of economic analysis to various problems.

Course Requirements:

- Attend class, read the assigned material, keep current in all assignments.
- **Ask questions** if you don't understand something.

Attendance:

Well, let's call it "virtual" attendance. It is vital that you put time into this course each week, do the reading, and turn in the assignments on time. If you run into problems, let me know.

Honor Code and classroom protocol:

I fully support the Cedar Crest College Honor Code as stated in the Student's Guide.

Plagiarism: Students are expected to be familiar with Cedar Crest College's policy regarding plagiarism as stated in the Student's Guide. Depending on the severity of the offense, evidence of plagiarism will result in penalties that may range from a request to redo the assignment before a grade is assigned to failure of the course.

Students with Disabilities:

Students with documented disabilities who may need academic accommodations should

discuss these needs with their professors during the first two weeks of class. Students with disabilities who wish to request accommodations should contact Academic Services.

Extra Credit:

“Extra credit” is not available in this course. I believe that it is vital that you understand and are able to apply the concepts we cover, that the exams, homework, and project are the best way to evaluate your performance, and that extra credit is unfair to other students who do “only” the required course work. If you are having difficulties with the course, it is your responsibility to seek help immediately; I will be glad to provide it.

The Course

I. Introduction to Capitalism

Some preliminary concepts. The economic problems facing all societies. Alternative economic systems. Introduction to supply and demand and the determination of market prices. The role of the price system in resource allocation. The economic role of government. The US in the world economy.

Ch.1- Limits, alternatives, and choices

- Appendix to Ch.1: Graphs and their meaning

Ch.2- The market system and the circular flow

Ch.3- Demand, supply, and market equilibrium

- Appendix to Ch. 3: Additional examples of supply and demand

Ch.4- The US economy: private and public sectors

Ch.5- The United States in the global economy

II. Introduction to the Stock Market

The stock market and stock valuation models.

Go to the Motley Fool website at: <http://www.fool.com/> (You may need to register, but registration is free.)

From the home page, click on “Investing”, then click “Basics”. From there, click “How Do I Invest?”, scroll down, and read the section on “How Stock Trading Works”. Go back to the “Investing Basics” page and click on “What Should I Invest In?”, scroll down and read the section on “Common Stocks”. Go back again to the “Investing Basics” page and click “How To Value Stocks”. Scroll down and click “Introduction to Valuation Methods”, read the page, and click “Earnings-Based Valuations” at the bottom and read that page. I suggest that you also look for other interesting items from the Motley Fool website; there is a lot of useful information.

Also, go to the Investopedia website at: <http://www.investopedia.com/>

From the home page, click on the “Tutorials” button at the top. Click on “Stock Basics” under “The Basics”. Read the following sections:

1) [Introduction](#)

2) [What Are Stocks?](#)

5) [What Causes Stock Prices To Change?](#) From here, click on “price/earnings ratio” in the fifth paragraph. Read the page, and from there, click on “Understanding the P/E ratio” (under “Related Links”) and read: 1) [Introduction](#), 2) [What is it?](#), and 3) [Using the P/E Ratio](#).

III. Elasticity and Cost

A closer look at demand and supply schedules. The nature of business costs.

Ch.6- Elasticity, consumer surplus, and producer surplus

Ch.8- The costs of production

IV. Equilibrium of the Firm

Analysis of business output and pricing behavior under alternative market conditions.

Efficiency and resource allocation in competitive vs. monopoly markets.

Ch.9- Pure competition

Ch.10- Pure monopoly

Ch.11- Monopolistic competition and oligopoly