

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

Instructor: Chris Duelfer  
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Office Hours: Mon. 11:00 – 12:00  
Wed. 11:00 – 12:00  
Thurs. 1:00 – 3:00  
Fri. 11:00 – 12:00

Text and Readings:

McConnell, Campbell R. and Stanley L. Brue, Microeconomics: Principles, Problems, & Policies. Seventeenth Edition, McGraw-Hill, Inc. 2008. (ISBN: 978-0-07-327309-9)

Wall Street Journal. 15 week subscription.

Fusfeld, Daniel R., The Age of the Economist. Sixth Edition, Scott, Foresman and Company, 1992. Ch. 1-3,5. (Library Reserve)

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 and classroom discussions 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.

Exam Dates:

Exam #1: Day section – February 18  
Night section – February 17

Exam #2: Day section – March 30  
Night section – March 31

Grading:

The two hourly exams and the final exam will each count approximately 25% of your grade. The word “approximately” is used to indicate that your level of participation will influence your final grade. A stock market project will count for the remaining 25% of your grade. Your grade will reflect your understanding of the concepts covered in class as well as your ability to apply tools of economic analysis to various problems.

Course Requirements:

- Attend class, keep current in all assignments.
- Participate in class discussions and analyses of current events.
- **Ask questions** if you don't understand something.

Attendance:

It is vital that you attend class. If you are unable to attend, you must notify the instructor as quickly as possible. Excessive absences will result in a lower grade.

Honor Code and classroom protocol:

I fully support the Cedar Crest College Honor Code and the Classroom Protocol code as stated in the Customs Book.

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 the Advising Center.

**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 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 development of market economies and the Marxist critique of capitalism. 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

- Fusfeld, Ch.1-3,5

Ch.4- The US economy: private and public sectors (pp.65-75 only)

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/>

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- Extensions of demand and supply analysis

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

### **V. The Resource Markets**

Analysis of business demand for productive resources. The labor market.

Ch.13- The demand for resources

Ch.14- Wage determination

### **VI. The World Economy**

The basic theory of international trade. US policies in the global economy. The international payments system.

Ch.23- International trade

Ch.24- Exchange rates, the balance of payments, and trade deficits