

Albion College – Economics & Management 101

Principles of Microeconomics

Fall 2016

Professor Greg Saltzman

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Office hours: W 1:10 – 4:00 PM

Please feel free to stop by my office without an appointment, though you can make an appointment if you wish. I am frequently in my Albion office at the following times:

Mondays	1:10 – 4:00 PM
Tuesdays	1:10 – 2:00 PM
Wednesdays	1:10 – 4:00 PM
Thursdays	1:10 – 2:00 PM
Fridays	Rarely at Albion

I am usually available in Olin 112 between 10:05 and 10:30 AM MTuWTh. ***If you make prior arrangements with me***, then I am also happy to meet with you in my office most Mondays, Tuesdays, Wednesdays, or Thursdays from 11:45 AM to 1:10 PM.

Section 5: MTuWTh 9:15 – 10:05 AM, Olin 112

Section 4: MTuWTh 10:30 – 11:20 AM, Olin 112

Course web:

9:15 AM section: <http://courses.albion.edu/course/view.php?id=4047>

10:30 AM section: <http://courses.albion.edu/course/view.php?id=4046>

Log in to the courses.albion.edu site with your username and password, and then choose E&M 101 Principles of Microeconomics from the left side. You need to use this enrollment key (password) for the E&M 101 page: E&M101_fall_2016

The course web will have the lab notes in Excel format. You'll use the data from these lab notes to complete the homework assignments for E&M 101. ***The data for the 9:15 AM section will differ from the data for the 10:30 AM section, so that homework answers will usually differ.***

Course description:

Introduction to the principles of decision-making by households and businesses. Supply and demand; the impact of prices and costs on market behavior; and public policies related to taxation, the environment, the labor market, and international trade.

This course will teach you how economists think about public policy and business decisions. It provides background needed for more advanced courses in economics and some fields of management, and it meets the Albion mode of inquiry requirement in modeling and analysis. Teaching methods include both lecture-discussion and a series of laboratory exercises in which the students will learn by doing.

Prerequisite: High school algebra 1 and good skills in making and interpreting graphs.

Learning objectives:

After completing this course, the student will be able to:

- apply microeconomic theory to analyze real-world situations
- make predictions about how prices and incomes affect consumer behavior
- make predictions about how prices, costs, and the degree of competition affect behavior of business firms
- distinguish between situations where simple economic models are appropriate and those where more complex models are needed
- understand, at an introductory level, mathematical and graphical representations of microeconomic theory

Required Reading: A required text is available for purchase at the bookstore:

N. Gregory Mankiw, *Principles of Microeconomics*, 7th edition (©2015, ISBN-13: 978-1285165905, paperback). I am **not** assigning the study guide; I'm only assigning the textbook. The hardback *Principles of Economics* version (ISBN-13: 978-1285165875) has both microeconomics and macroeconomics (macro covered in E&M 102). A used copy of the 6th edition of Mankiw is OK if you are on a tight budget.

Course Requirement	Date	Grading Weight
10 laboratory exercise homework assignments (count best 9)	Throughout the term (due dates listed on pages 6-8 of this syllabus)	8%
First test	Thursday, September 15	23%
Second test	Monday, October 17	23%
Third test	Thursday, November 3	23%
Fourth test	9:15 AM section: Monday, December 5, 11:30 AM – 1:30 PM 10:30 AM section: Wednesday, December 7, 8:00 – 10:00 AM	23%

Grading Policies:

In order to minimize hassles about grading, laboratory exercise homework assignments will be graded on a scale of ✓, ✓-, or ✓+. I will grade the tests, however, using a much finer scale, with grades such as 3.0, 3.1, 3.2, 3.3, etc. (If you have a 3.2 on the first test and a 2.8 on the second, then you'll have a 3.0 average.)

Tests and the laboratory exercise homework assignments will be graded on a curve. Grading on a curve means that grades are based on each student's performance *compared to the class average*. Often, the average raw score on my tests is low, which means that students might get a 3.0 (B) with only 75% correct. On the other hand, the average raw score on the laboratory homework assignments often is high, which would mean that one would need to get a very high percentage correct on these assignments to get the highest possible grade (a ✓+).

Tests:

Tests will be a mixture of multiple choice and short problems. Graphs will be required for some of the short problem questions. I recommend that you do the tests (especially the graphs) in pencil so that you can erase mistakes. The tests will emphasize the application of economic theory to particular situations, rather than memorization of factual material.

You cannot prepare adequately for the tests merely by reading and listening to lectures. In addition to reading and listening, you must work problems. I will hand out practice questions about one week prior to each test, and I will go over the answers to the practice questions. To be well prepared for the tests, you must work carefully on the practice questions *before* I go over the answers in class. Your test questions will be similar but not identical to the practice questions. Memorizing the answers to the practice questions without understanding them will not help you at all, but understanding how to solve the problems in the practice tests will help you a great deal when you try to solve the similar problems on your real tests.

I will bring calculators for students to use during the tests.

Laboratory Exercises:

Students are required complete a series of ten laboratory exercises during class hours, on the dates shown in the syllabus. These exercises involve experiments in which the subject being studied is the economic behavior of the students in the class.

The nature of laboratory exercises in an economics class is explained by Theodore Bergstrom and John Miller, *Experiments with Economic Principles*, p. iv:

If you take a laboratory course in the physical sciences, you get to mix smelly chemicals, or monkey with pulleys, or dissect a frog, but you are always the experimenter and never the subject of the experiment. In the experiments conducted in this class, you and your classmates will be the *participants* as well as the scientific *observers* who try to understand the results.

It is hard to imagine that a chemist can put herself in the place of a hydrogen molecule. A biologist who studies animal behavior is not likely to know what it feels like to be a duck. You are more fortunate. You will be studying the behavior and interactions of people in economic situations. And as one of these interacting economic agents, you will be able to experience first-hand the problems faced by such an agent. We suspect that you will learn nearly as much about economic principles from your experience as a participant as from your analysis as an observer.

Because the laboratory exercises involve learning by doing, ***it is essential that students attend and actively participate in the class sessions with laboratory exercises.*** You also need to arrive in class on time for the lab sessions. I understand that students sometimes are ill or have unavoidable conflicts (such as a family crisis). Unfortunately, however, it is impossible to make up missed exercises because the exercises require the simultaneous participation of a large number of students. I therefore will allow each student to miss two laboratory exercises without

penalty. If a student misses more than two exercises, however, then I will reduce his or her final grade for the course by 1/3 of a grade (e.g., the difference between a 3.3 and a 3.0) for each exercise missed beyond two. A student who missed five exercises, for example, would find his final grade for the course reduced from a 3.3 (B+) to a 2.3 (C+). **You have been warned.**

I prefer that students attend the lab session for the section in which they are enrolled. But I would MUCH rather have you attend the lab session for the other section (e.g., a student in the 9:15 – 10:05 AM section 5 attending a lab session for the 10:30 – 11:20 AM section 4) than miss a lab section.

After each laboratory exercise, I will post on the course web the lab notes (in Excel format) giving results for this exercise for your section. Once I post these lab notes, you can start work on the homework (which I will distribute to you in paper copy). It is probably wise to do the homework (especially the graphs) in pencil so that you can erase mistakes. I expect the graphs to be carefully drawn, with axes, scales, and curves labeled and curves plotted in the right places.

The homework QUESTIONS are identical for both sections. But the homework ANSWERS usually will be different because the lab results for the 9:15 AM section will differ from the lab results for the 10:30 AM section. *Regardless of which section you attended on the day of the lab experiment, please use the lab notes for the section in which you are officially enrolled when completing the homework.*

Laboratory homework assignments are due several days after the associated exercise. In computing your final grade for the course, I consider only the best 9 of your 10 laboratory homework grades. Note that you can do the homework even if you did not attend the corresponding lab (though the homework will be easier if you did attend).

Getting extra help from Greg Saltzman or from an undergraduate tutor

I encourage those with questions about the course material either to see me in my office or to see the undergraduate student assigned by the Learning Support Center as an E&M 101 tutor. It's better to ask questions **before** a test (so that you can earn a good grade on the test) than after.

Study Groups

I should not be the only teacher in this class; you should learn from each other as well. I therefore strongly encourage you to form study groups to work on the homework and study for the tests together. Each student, however, should wrestle with the homework and practice questions for the tests on his or her own ***before*** meeting with the study group. Students who simply obtain the answers to the homework or the practice questions from the other members of the study group will likely do poorly on the tests, where the stakes are much higher.

Academic Integrity

Albion College has adopted the following statement on academic integrity: “As an academic community, Albion College is firmly committed to honor and integrity in the pursuit of knowledge. Therefore, as a member of this academic community, each student acknowledges responsibility for his or her actions and commits to the highest standards of integrity. In doing so, each student makes a covenant with the college not to engage in any form of academic dishonesty, fraud, cheating, or theft.”

As noted above, I encourage the students to work together in study groups on the homework and to prepare for the tests. But you are not permitted to consult anyone else, any books, or any notes (whether paper or electronic) while you are taking the tests; nor are you permitted to use a cell phone (even the calculator functions of a cell phone) while you are taking the tests. If you violate this policy, I will give you a zero on the test and report you to the dean’s office for further disciplinary action (which can include expulsion from Albion College in cases of second offenses).

Disability Statement

If you have a disability and may require accommodations or modifications in class instruction or course-related activities, please contact the Learning Support Center (LSC) staff who can arrange for reasonable accommodations for students who provide documentation of their disability or condition. If you are presently registered with the LSC and have requested accommodations through the LSC for this semester, please plan to meet with me as early as possible to discuss the best way to implement these accommodations in this class. The LSC is located on the first floor of the Ferguson Administration Building in the Career Center suite. The phone number for Dr. Pam Schwartz (the director of the LSC and the campus disability officer) is 517-629-0825. The phone number for Nick Mourning (the coordinator of peer tutoring) is 517-629-0411.

Attendance

As noted in the earlier section on laboratory exercises, there is an automatic and severe grade penalty for missing more than two of the 10 laboratory exercises during the semester. It is also essential that students show up for class on the days when we have tests.

I will not be taking attendance on other days; but students who attend class regularly and are attentive in class systematically learn more and get better grades than students who miss class or are inattentive.

Course ScheduleWeek of Topic and Reading Assignment

Aug 22 Introduction, Supply and Demand
Mankiw, ch. 1, appendix only of ch. 2, ch. 4

Aug 29 Shifts in Supply and Demand

Lab experiment 1, Tuesday, August 30

Note the severe grade penalty for missing more than two of the ten lab experiments during the semester.

Sep 5 Elasticity of Demand and Supply
Mankiw, ch. 5

Supply, Demand, and Government Policies
Mankiw, ch. 6 (Also, review pages 117-119 for Experiment 4)

No classes Monday, September 5 (Labor Day)

Lab experiment 2, Wednesday, September 7
Homework for experiment 1 due in class Wednesday, September 7

Sep 12 Discuss practice questions for Test 1 Tuesday and Wednesday, September 13-14
Homework for experiment 2 due in class Wednesday, September 14

Test 1: Thursday, September 15

Sep 19 Consumers, Producers, and the Efficiency of Markets; Sales Taxes
Mankiw, chs. 7-8

Lab experiment 3, Thursday, September 22

Sep 26 Demand for Labor; the Minimum Wage Law
Mankiw, pp. 373-380 only (6th edition: pp. 375-382 only) of ch. 18 and
page 424-425 only (6th edition: pp. 428 only) of ch. 20

Lab experiment 4, Thursday, September 29
Homework for experiment 3 due in class on Thursday, September 29

Oct 3 Externalities and Public Goods
Mankiw, chs. 10-11

Lab experiment 5, Thursday, October 6
Homework for experiment 4 due in class on Thursday, October 6

Week of Topic and Reading Assignment

Oct 10 Discuss practice questions for Test 2 Wednesday and Thursday, October 12 and 13
Homework for experiment 5 due in class on Thursday, October 13

No classes Monday and Tuesday, October 10-11 (Albion fall break)

Oct 17 Productivity and Production Costs
Mankiw, ch. 13

Test 2: Monday, October 17

Lab experiment 6, Thursday, October 20

Oct 24 Firms in Competitive Markets, Entry and Exit
Mankiw, ch. 14

Lab experiment 7, Thursday, October 27
Homework for experiment 6 due in class on Thursday, October 27

Oct 31 Determinants of Market Structure
Discuss practice questions for Test 3 Tuesday and Wednesday, November 1-2

Test 3: Thursday, November 3

Nov 7 Monopoly
Mankiw, ch. 15

Lab experiment 8, Wednesday, November 9
Homework for experiment 7 due in class on Wednesday, November 9

Production Possibilities Frontier and Comparative Advantage
Mankiw, ch. 3

Nov 14 Comparative Advantage and International Trade
Mankiw, ch. 9

Lab experiment 9, Wednesday, November 16
Homework for experiment 8 due in class on Wednesday, November 16

Adverse Selection and Moral Hazard
Mankiw, pp. 461-467 only (6th edition: pp. 467-473 only) of ch. 22

Week of Topic and Reading Assignment

Nov 21 Adverse Selection

Lab experiment 10, Monday, November 21

Homework for experiment 9 due in class on Monday, November 21

*No classes Wednesday and Thursday, November 23 and 24 (Thanksgiving break)*Nov 28 Markets for Factors of Production
Mankiw, ch. 18Discuss practice questions for Test 4 Wednesday and Thursday, November 30
and December 1

Homework for experiment 10 due in class on Wednesday, November 30

Test 4: (in our regular classroom)***9:15 AM section: Monday, December 5, 11:30 AM – 1:30 PM******10:30 AM section: Wednesday, December 7, 8:00 – 10:00 AM***

The fourth test will cover only material in the last fourth of the course, although an understanding of the material in the first three-fourths will help you to understand the material in the last fourth.