Economics 101, Principles of Microeconomics
Summer 2014, Session 1
MTWThF 11-12, Curtiss 0105

Instructor:
Matt Clancy
mclancy@iastate.edu
(515) 294-2428
565 Heady Hall

Office Hours:
1-3pm Wednesdays
10-11am Thursdays, or by appointment

Teaching Assistant:
Xiying Liu
xiyingl@iastate.edu
(515) 294-2177
280D Heady Hall

Office Hours:
10-11am Tuesdays
2-4pm Fridays

Course Resources:

- Required: Principles of Microeconomics by Greg Mankiw, 7th ed. (2015), Cengage Learning.
- Required for tests: Simple calculator with an exponent key
- Course website: http://matt-clancy.com/courses
- Blackboard for course announcements

Important Dates

Monday, May 26	– No Class
Wednesday, June 11	– Exam #1
Monday, June 23	– Last day to drop
Friday, June 27	– Exam #2
Friday, July 4	– No Class
Friday, July 11	– Exam #3

Grading
Your grade is based on your performance on three tests, plus participation, and extra credit:

0.15 x (lowest exam score + EC) +
0.35 x (exam score 2 + EC2) +
0.35 x (exam score 3 + EC3) +
0.15 x participation =
Final Grade

Your worst test performance only counts for 15% of your grade. The other two count for 35% each. Your exam scores will be adjusted by the extra credit homework you do. Typically, there will be 1-2 extra credit homework assignments per week.

Exam Policies

- Exams are held during regular class time.
- Exams are not cumulative, but the topics naturally build on each other.
- Exams questions will be similar to extra credit homework questions
- Exams are closed book. Simple calculators are permitted (not smartphones). Bring your student ID to all exams.

- If you will be absent on an exam day, contact me as soon as possible to schedule a make-up day before the exam. You must let me know before the exam.
- If an exam is missed for a documented legitimate reason (i.e., illness), you can schedule a time to make up the exam.
- If an exam is missed without a documented reason, you will obtain a 0 on the exam. However, you will have the opportunity to try the exam as an additional extra credit assignment. I will then adjust your score of 0 by your extra credit work for the section.

Participation Policy

- Your grade for participation reflects being prepared to discuss assigned readings in class
- For discussion classes, you will be assigned a reading and some discussion questions earlier in the week.
- These discussion questions will be handed in for credit

Extra Credit Homework Policies

- Homework is worth the most if handed in on the day due
- Homework can be handed in as late as the review day for the section exam for partial credit
- Working in groups is encouraged, but each group member must hand in his or her own work
- While homework is extra credit, **I strongly recommend you complete it. I anticipate that a typical student will need the extra credit to obtain a final grade they are satisfied with.**

Classroom Etiquette

Basic principle – don't distract other students

- If you arrive late or need to leave early, do so quietly
- If you use a laptop for notes, don't look at distracting stuff in class
- Generally be quiet and respectful to each other and your instructors

Disability Accommodation

Students who require special exam-taking accommodations should obtain a Student Academic Accommodation Request (SAAR) form from the Disability Resource Office in Room 1076 of the Student Services Building.

Academic Dishonesty

The class will follow ISU's policies on academic dishonesty – http://www.dso.iastate.edu/ja/academic/misconduct.html - so do not cheat. All cases of academic dishonesty are reported to the Iowa State Dean of Students.

Major Topics:

1. Reasoning About Economics
   What is economics? Positive and normative analysis. Motivated reasoning. Economic models and data.
2. The Rational Actor
   Incentives, opportunity cost, sunk cost, marginal thinking, value of time
3. Demand
   Demand curves, demand shifters, elasticity, welfare
4. Firms
   Profit maximization, monopolies, competition, supply curves, elasticity

5. Markets
   Equilibrium, free entry, market efficiency, comparative advantage, the labor market
6. The Limits of Markets
    a. Market Distortions and Market Failures
       Externalities, public goods, asymmetric information
    b. Policy Interventions
       Price controls, taxation, subsidies, quotas

Course Goals and Objectives

(1) **Economic fluency:** Econ 101 students should become fluent with the basic terminology of microeconomics. This includes being able to provide precise definitions for fundamental economic concepts such as opportunity cost, comparative advantage, supply, demand, equilibrium, elasticity, marginal product, profit, sunk cost, perfect/imperfect competition, oligopoly, externality, public goods, deadweight loss, among others. Students should be able to distinguish objective statements from subjective opinions, recognizing the importance of both.

(2**) Marginal analysis:** Most broadly, students should develop an "economic thought process" that considers human actions and interactions from the perspective of choices being made by individuals who continually compare expected benefits and costs (or "pros" and "cons"). Economic theories force us to make explicit our assumptions about objectives and constraints. This helps us better predict how changes in policy influence individuals' actions. Students should be able to identify potential decision-makers, objectives, constraints, and the possibility of unintended consequences.

(3) **Opportunity cost:** Students should be able to apply the concepts of choice and opportunity cost to common situations that involve scarcity and tradeoffs. They should be able to use a production possibility frontier (PPF) to illustrate feasible and infeasible consumption possibilities, efficient use of resources, and increasing opportunity costs. Students should also be able to apply the concepts of comparative advantage, specialization, and exchange to analyze basic resource allocation issues.

(4) **Optimization:** Students should understand how the optimizing actions of individuals and firms underlie demand and supply in markets, which interact to determine price and quantity. They should understand the "marginal concept" that individuals and firms can make optimal decisions by weighing incremental benefits and costs associated with slight changes in the relevant choice variable. They should be able to use both the total revenue / total cost approach and the marginal revenue / marginal cost approach to explain how a firm finds its profit-maximizing output level.

(5) **Equilibrium:** Students should be able to explain how equilibrium price and quantity are determined in both competitive and imperfectly competitive markets. They should understand how different market structures, firm technologies, and government policies affect market equilibrium and welfare outcomes. Students should be able to contrast market outcomes under different market structures and perform basic analyses of how exogenous shocks (including policy changes) affect supply, demand, prices, and welfare. They should also be able to explain why governments sometimes impose a price ceiling, price floor, or excise tax on a market, along with the likely consequences of such interventions.

(6) **Potential market failure:** Students should be able to describe the nature of market failures arising from imperfect competition, imperfect information, externalities, and public goods. They should understand how government policies – depending on the soundness of theory and proper implementation – have the potential to either improve resource allocations or exacerbate market failures. Students should also understand the distinction between allocative efficiency and distributional "fairness," the latter of which depends on value judgments.

(7) **Interpretation of data:** Economic analysis often requires the use of data. Principles of economics students should understand the difference between cause-and-effect (causal) relationships and mere correlations. Using real-world settings, students should be able to articulate why two correlated variables (e.g., labor supply and tax rates) may or may not be causally related from a policy perspective.