

ECON 301: Intermediate Microeconomics

“Economics is a study of mankind in the ordinary business of life. Thus...it is the study of...man.”
~Alfred Marshall

PROFESSOR: Dr. Caleb S. Fuller
www.calebfuller.com
OFFICE: HAL 303B
OFFICE PHONE: (724) 458-2560
EMAIL: fullercs@gcc.edu
OFFICE HOURS: MWF: 8:50-10:50am
TR: 2:30-4:30pm
Or by appointment

This syllabus is a contract between myself and you. I will work hard to uphold the guidelines outlined here, and expect you to do the same. That said, I reserve the right to make changes if necessary.

REQUIRED TEXTS

Browning, Edgar, and Mark Zupan. 2012. *Microeconomics: Theory and Application, 11th edition*. John Wiley & Sons, Inc.

Selected Readings

OPTIONAL TEXT

Landsburg, Steven. *Price Theory and Applications*. Any edition. This is another useful text you may wish to consult.

PREREQUISITES

ECON 101 and ECON 102. Knowledge of “Principles of Micro/Macroeconomics” will be assumed. We will also use some basic tools from MATH 141/MATH 161.

COURSE DESCRIPTION

This course is a survey of Neoclassical price theory—the workhorse of mainstream economists since the publication of Alfred Marshall’s (1890) *Principles of Economics*. Economists have used the tools of microeconomics—also called “price theory”—to analyze a host of issues, including consumption, production, competition, antitrust, trade, and taxation. They’ve even extended their analysis to topics not traditionally conceived of as “economic”—crime, discrimination, marriage, and education to name just a few. This class is mostly about the first set of topics, but it will

occasionally touch on the second category as well. Such a breadth of topics suggests that modern, mainstream economists conceive of microeconomics as neither a set of questions, nor a set of answers, but rather as a systematic way of analyzing individuals and the social order their decisions generate. That systematic way of thinking enables exploration of “mundane” questions (Who bears the burden of a sales tax?), whimsical questions (Why have grocery carts gotten bigger over time?) and serious questions (Could increasing the severity of a punishment lead to an *increase* in violent crime?)

Throughout the course, we will highlight pertinent differences between the causal-realist approach to microeconomic theory that traces its roots to Carl Menger and the dominant, “mainstream” approach.

Despite some differences between the modern and causal-realist approaches to microeconomics, there is still *much of value* to be learned from traditional Neoclassical price theory. **To that end, many lectures will include a “price theory puzzle” that Neoclassical price theory seeks to illuminate. We will discuss these puzzles toward the end of the lecture.** We will also read a few of the most important papers in microeconomics to gain an appreciation for the history of microeconomic thought.

In short, this course covers models and topics that you will encounter in greater detail if you pursue graduate work in economics: supply and demand, consumer theory, producer theory and the theory of the firm, market structure, introductory game theory, and the role of government in society.

LEARNING OUTCOMES:

This course is intended to equip students to:

1. Identify and explain the characteristics of contemporary price theory and game theory, including consumer behavior, production theory, market structure, and non-cooperative games. Knowledge of these will be assessed by exams and homework which include objective identification questions as well as essay questions and economic problems. [2,3 4,5]
2. Apply microeconomic theory toward making informed business decisions. This will be assessed by problems on homework and exams. [2,3,4,5]
3. Apply the “economic way of thinking” to a host of topics, including those not traditionally considered “economic.” This will be assessed by homework and exam questions. [2,3]
4. Describe limitations and weaknesses of neoclassical microeconomic theory. This will be assessed by exam essay questions. [1,4,5]
5. Analyze and critique research in microeconomics. This will be assessed by a writing assignment that analyzes a peer-reviewed paper in microeconomics. [1,4,5]

TENTATIVE SCHEDULE OF TOPICS, ASSIGNMENTS, AND EXAMS

<u>DATE</u>	<u>TOPIC</u>	<u>READING</u>
Aug 28	Introduction	B&Z: Ch. 1
Aug 30	Supply and Demand	B&Z: Ch. 2 (pp. 16-28)
Sept 4	Elasticity	B&Z: Ch. 2 (pp. 33-44)
Sept 6	Price Controls	B&Z: Ch. 2 (pp. 28-33) B&Z: Ch. 18 (pp. 514-519)
Sept 11	Tax Incidence	B&Z: Ch. 10 (pp. 287-293)
Sept 13	Welfare Economics	B&Z: Ch. 10 (pp. 281-287; 293-295) B&Z: Ch. 4 (pp. 101-105)
Sept 18	Consumer Theory: Choice I	B&Z: Ch. 3 (pp. 49-63)
Sept 20	Consumer Theory: Choice II Distribute HW # 1	B&Z: Ch. 3 (pp. 63-82)
Sept 25	Consumer Theory: Demand	B&Z: Ch. 4 (86-101)
Sept 27	Consumer Theory: Applications Critique of Indifference Analysis HW # 1 Due	B&Z: Ch. 5 (pp. 123-136) Rothbard: "Some Fallacies Relating to Utility" in <i>Man, Economy and State with Power and Market</i> (pp. 302-311)
Oct 2	EXAM # 1	Study
Oct 4	Theory of the Firm Short-Run Production	Coase: "The Nature of the Firm" B&Z: Ch. 7 (pp. 181-189)
Oct 9	Long-Run Production	B&Z: Ch. 7 (pp. 189-203)
Oct 11	Short-Run Costs	B&Z: Ch. 8 (pp. 208-218)
Oct 16	Long-Run Costs	B&Z: Ch. 8 (pp. 218-242)
Oct 18	FALL BREAK	
Oct 23	Perfect Competition	B&Z: Ch. 9 (pp. 246-260)
Oct 25	Perfect Competition	B&Z: Ch. 9 (pp. 260-277) Hayek: "The Meaning of Competition"
Oct 30	Monopoly	B&Z: Ch. 11 (pp. 317-328)
Nov 1	Monopoly Distribute HW # 2	B&Z: Ch. 11 (pp. 329-345)
Nov 6	Price Discrimination	B&Z: Ch. 12 (pp. 349-360)
Nov 8	Oligopoly and Cartel HW # 2 DUE	B&Z: Ch. 13 (pp. 392-401)
Nov 13	EXAM # 2	Study
Nov 15	Game Theory I	B&Z: Ch. 14 (pp. 406-421)
Nov 20	THANKSGIVING	
Nov 22	THANKSGIVING	
Nov 27	Game Theory II	B&Z: Ch. 15 (pp. 449-453) Brinig: "Rings and Promises"
Nov 29	Information	B&Z: Ch. 14 (421-429)

	PAPER ANALYSIS DUE	
Dec 4	Public Goods Distribute HW # 3	B&Z: Ch. 20 (pp. 571-579) Coase: “The Lighthouse in Economics”
Dec 6	Externalities	B&Z: Ch. 20 (pp. 579-588) Coase: “The Problem of Social Cost” (Optional)
Dec 11	Risk HW # 3 Due	None
Dec 13	STUDY DAY	Study
Dec 18	FINAL EXAM—2-4PM	Study

This is a tentative schedule. If it proves to be ambitious, I will attempt to say less about each topic, rather than cutting topics entirely.

COURSE REQUIREMENTS, EVALUATION, GRADING

Final grades are based on two (2) midterm exams, three (3) homework sets, one (1) analysis of a published paper in microeconomics and one (1) comprehensive final exam. Intermediate Micro covers complex and abstract material. **Thus, it is imperative that you come to class having done the readings in order to do well on exams.**

Homework problem sets are intended to prepare you for the exams. Think of them as a study guide. You may type or write the homework, but it must be legible. Strive to be concise in your answers.

Exams cover lecture and textbook material and will consist of a combination of multiple choice, economic problems, short answer questions designed to test economic intuition, and essays.

You will be required to write an analysis of a microeconomics paper that has been published in a highly-ranked, peer-reviewed journal (guidelines provided below). The ability to meet deadlines is a skill that will serve you well in every potential opportunity after you graduate. **As a result, (unexcused) late papers will receive a grade of zero.**

The final grade is calculated as follows:

- (1) Midterm exam 1: 15%
- (1) Midterm exam 2: 20%
- (3) Homework sets: 30% (10% each)
- (1) Analysis of published paper: 10%
- (1) Comprehensive Final: 25%

Grading Scale:

A: 93-100 **A-:** 90-92.9 **B+:**87-89.9 **B:** 83-86.9 **B-:**80-82.9 **C+:**77-79.9
C: 73-76.9 **C-:** 70-72.9 **D+:** 67-69.9 **D:** 63-66.9 **D-:** 60-62.9 **F:** <60

There will be no make-up exams. If a you must miss an exam, please discuss it with me prior to the exam. In the event of an emergency, you should email me as soon as possible. If you miss an exam and I have not accepted your excuse, a grade of “0” will be given. If the absence is excused, the weight of that exam will be added to the final exam.

The final exam must be taken at the scheduled time. One exception: students who have three or more finals scheduled for the same day may discuss with me an alternative time to take the final.

There will be no make-up assignments. All assignments must be hard-copy and stapled; they are due at the beginning of class.

IN-CLASS EXPECTATIONS

No phone use in class. Other electronic devices can be very helpful for taking notes, but they are also an ever-present temptation (note that some elite higher education institutions have banned laptops from the classroom). **Several studies demonstrate that taking notes by hand is, on average, superior for learning and retention than is taking notes by electronic device.**¹ Nonetheless, you are free to use your laptop in this class, but please do so in respectful fashion. In other words, be aware of how your use of technology may affect others. When someone’s activity imposes costs on someone else, economists call it a “negative externality.” Don’t impose negative externalities through your use of technology in the classroom.

INTERMEDIATE MICROECONOMICS PAPER GUIDELINES

Each student will complete a 1,200-1,500-word written analysis of a peer-reviewed microeconomics paper. **When you turn in your assignment, include the name of the article, the author(s), and the name of the journal in which the article is published.** Your analysis should clearly summarize the article, but most importantly should offer at least one economic critique. This assignment will enable you to interact critically with the best of what the broader economics profession has to offer. Because the article has been subjected to peer-review and has been published in a prestigious professional journal, offering a critique may prove challenging. At the same time, your background in Austrian economics may enable you to spot a flaw or weakness that others might overlook.

You may select a paper from any of the following journals: the *Journal of Political Economy*, the *Journal of Economic Perspectives*, the *Journal of Economic Literature*, or the *Journal of Law and Economics*—all top professional journals in economics. The only requirements are 1. that the article be a microeconomics paper and 2. that you understand it. **Any citations (you’re not required to cite anything other than the article in question) should adhere to the Chicago Style Author-Date format.** You may find examples here: <https://owl.english.purdue.edu/owl/>.

When a scholar submits a paper for publication in a professional journal, it is subjected to rigorous scrutiny by the author’s professional peers who offer feedback by way of a referee report. Superior

¹ For one example, see here: <https://www.scientificamerican.com/article/a-learning-secret-don-t-take-notes-with-a-laptop/>

analyses for this class will adhere to the best practices in writing a professional referee report. Because the purpose of a referee report is to offer your own original thoughts on a paper, there is no requirement that you consult outside sources (though you are free to do so). Your written assignment should:

- Begin with a brief overview of the paper to provide someone who's never read the paper with a working knowledge of it.
- Succinctly describe the paper's primary contribution. What question did the paper ask and what answer did it provide?
- Describe the author's theory and how they deploy it in answering their question.
- Describe the author's data source and empirical strategy if appropriate.
- Offer a significant critique or a suggestion about how the author could improve his work. For example: Does the author ask an irrelevant question? Does he provide the right answer, but for the wrong reasons? Does the approach contain any theoretical flaws? Does the author make unjustified assumptions? Does the author ignore important considerations—either theoretical or empirical—which weaken the conclusions he draws? Does the author's empirical evidence fit the theory being advanced? Are the conclusions justified by the arguments contained in the body of the paper? Your analysis does not have to address each of these questions, but they are where you should start your thinking about every academic paper you read.
- Offer any minor critiques that will enable the author to strengthen the paper were he to incorporate them.
- Conclude with a brief assessment of the author's contribution.

Your grade will be based on the following criteria:

- Does the analysis contain grammatical or stylistic errors?
- Is the tone of the analysis suitable for a *professional* assessment of another's scholarly work?
- Does the analysis provide readers with a complete and accurate understanding of the paper's approach, content, and conclusions?
- Does the analysis contain a cogent and insightful critique of the paper?
- Is the analysis well-organized (containing an introduction, body, and conclusion)?

COLLEGE REGULATIONS

This course complies with the Attendance Expectations and Academic Integrity policies of the College as described in the Grove City College Bulletin. Attendance at all classes for which a student is registered is essential to the satisfactory completion of the course. If an absence is incurred for any reason, it is the obligation of the student to ascertain from the instructor what is to be done to maintain his/her standing in the course.

A student may have unexcused absences which total less than or equal to the number of times the class meets per week. In other words, classes meeting four times per week allow four unexcused absences; three times per week allow three unexcused absences, etc. Absences are excused for authorized GCC activities, loss of immediate family member, and Zerbe-certified illness or injury. Please consult the College Bulletin (pgs. 53-54) for more details on college attendance policy.

Academic Integrity: The GCC community maintains strict standards for academic integrity and honesty. By signing their application form, all GCC students have pledged themselves to academic

integrity. Please consult the College Bulletin (pgs. 55-57) for what constitutes academic dishonesty and plagiarism.

In doing papers or assignments outside of the classroom, taking exams and quizzes, and preparing for exams and quizzes, students should do their own work and not cooperate with, aid, or encourage other students to violate this policy. Consult the College Bulletin for more details on what constitutes a violation of college policy.

In addition, by vote of the GCC faculty, a student who violates, or who assists another to violate, the Honesty in Learning Policy shall be penalized with a minimum of a failing grade for the specific work for which the dishonesty was committed. More severe penalties may be imposed by faculty including failure in the course. For the processes through which incidents are handled consult the College Bulletin.

Accessibility & Accommodations: If you anticipate physical or academic barriers based on a disability, please let me know immediately so that we may discuss options. You may also contact the disability services office to establish accommodations. The Disability Services Coordinator may be reached at (724)-264-4673 or disabilityservices@gcc.edu.