

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 (1890)

“When economists say scornfully that that so-and-so, a reputed expert on economics, is ‘not an economist,’ they do not mean that he is ignorant of the institutions of economic life, or of its history, or of its statistics, or of its mathematical representations. They mean that he is ignorant of the theory of price...A major achievement of Western thought, the jewel of the social sciences...price theory is worth a little effort.”
~Deirdre McCloskey (1982)

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OFFICE HOURS: M/W/F: 8-10am, T/TR: 8-9am. NOTE: Due to Covid-19, all office hours will be held remotely through Teams. Please send me an email to schedule a virtual visit.

This syllabus is a contract between us. Both parties should work hard to uphold the guidelines outlined here. 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.

RESOURCES

Alchian, Armen. *Universal Economics*. 2018. The best Neoclassical price theory text. Available as a [free PDF online](#).

McCloskey, Donald. *The Applied Theory of Price*. 1982. A classic text. Available as a [free PDF online](#).

Rothbard, Murray. *Man, Economy, and State*. 1962. The best Austrian price theory text. Available as a [free PDF online](#).

Shapiro, Milton. *Foundations of the Market Price System*. 1985. A very accessible Austrian price theory text. Available as a [free PDF online](#).

PREREQUISITES

ECON 101 and ECON 102. Knowledge of “Principles of Micro/Macroeconomics” will be assumed. We will also use 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, politics, 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 too. At the end of our course, we will stray from “classical” price theory to provide a brief introduction to information economics, game theory, and institutions.

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 facilitates 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 compare Austrian approaches to microeconomic theory which trace their roots to Carl Menger with the dominant, mainstream approach. In particular, I will highlight differences in the approaches to utility theory and competition theory. Despite some important differences between Austrian and Neoclassical 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, producer 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 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]

3. Describe limitations and weaknesses of neoclassical microeconomic theory. This will be assessed by exam essay questions. [1,4,5]
4. 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 25	Introduction	McCloskey: Introduction (pp. 1-4) B&Z: Ch. 1 (pp. 2-12)
Aug 27	Supply and Demand: Price Determination	B&Z: Ch. 2 (pp. 16-28) McCloskey: Ch. 6 (pp. 107-119)
Sept 1	Supply and Demand: Elasticity	B&Z: Ch. 2 (pp. 33-42) McCloskey: Ch. 7 (pp. 131-140)
Sept 3	Supply and Demand: Price Controls	B&Z: Ch. 2 (pp. 28-33) B&Z: Ch. 18 (pp. 514-519)
Sept 8	Supply and Demand: Tax Incidence	McCloskey: Ch. 15 (pp. 307-317) Optional: B&Z: Ch. 10 (pp. 287-295)
Sept 10	Supply and Demand: Welfare Economics	B&Z: Ch. 4 (pp. 101-105) B&Z: Ch. 10 (pp. 281-287; 293-295)
Sept 15	Consumer Theory: Choice I	B&Z: Ch. 3 (pp. 49-63)
Sept 17	Consumer Theory: Choice II	B&Z: Ch. 3 (pp. 63-71)
Sept 22	Consumer Theory: Demand, Applications, Critique	B&Z: Ch. 4 (86-93; 96-100; 133-136) Klein: “A Note on Giffen Goods” Shapiro: Ch. 5 (pp. 90-95)
Sept 24	HW # 1 Due	
Sept 29	MIDTERM I	

Oct 1	Producer Theory: Theory of the Firm and Short-Run Production	B&Z: Ch. 7 (pp. 181-189) Klein: "New Institutional Economics" (pp. 463-470) Coase: "The Nature of the Firm"
Oct 6	Producer Theory: Long-Run Production	B&Z: Ch. 7 (pp. 189-198)
Oct 8	Producer Theory: Costs of Production	B&Z: Ch. 8 (pp. 208-233)
Oct 13	BREAK	
Oct 15	Market Structure: Perfect Competition	B&Z: Ch. 9 (pp. 246-262) Shapiro: Ch. 11 (pp. 319-327, optional)
Oct 20	Market Structure: Perfect Competition	B&Z: Ch. 9 (pp. 262-274) Hayek: "The Meaning of Competition" Shapiro: Ch. 11 (pp. 332-362, optional)
Oct 22	Market Structure: Monopoly	B&Z: Ch. 11 (pp. 317-328) Shapiro: Ch. 11 (pp. 327-329, optional)
Oct 27	Market Structure: Monopoly	B&Z: Ch. 11 (pp. 329-343) Rothbard: Ch. 10 (pp. 720-726) Shapiro: Ch. 11 (pp. 351; 362-372, optional)
Oct 29	Market Structure: Monopoly	B&Z: Ch. 12 (pp. 349-360)
Nov 3	Market Structure: Oligopoly and Cartel	B&Z: Ch. 13 (pp. 392-401)
Nov 5	HW # 2 DUE	
Nov 10	MIDTERM II	
Nov 12	Game Theory	B&Z: Ch. 14 (pp. 406-421; 449-453) Brinig: "Rings and Promises" (optional) Foss: "Austrian Economics and Game Theory: A

		"Stocktaking and Evaluation" (optional)
Nov 17	Information	B&Z: Ch. 14 (pp. 421-429) Akerlof: "The Market for Lemons": Quality Uncertainty and the Market Mechanism" Tabarrok and Cowen: "The End of Asymmetric Information"
Nov 19	Public Goods	&Z: Ch. 20 (pp. 571-579) Coase: "The Lighthouse in Economics"
Nov 24	Externalities PAPER DUE	B&Z: Ch. 20 (pp. 579-588) Coase: "The Problem of Social Cost"
Nov 26	THANKSGIVING BREAK	
Dec 1	Risk	McCloskey: Ch. 3 (pp. 62-69)
Dec 3	HW # 3 Due	
Dec 7	FINAL EXAM—1-3 PM	

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 perform well.**

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 grading rubric is available on mygcc.

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

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 for an unexcused reason, a grade of “0” will be given. **If the absence is excused, you have two options.** You may elect to take a make-up examination. Alternatively, you may elect to add the weight of the missed assignment to the next comparable assignment (i.e. choosing this option for missing quiz 1 causes quiz 2 to be worth 4% of your grade).

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.

All assignments must be hard-copy and stapled; they are due at the beginning of class. Unexcused late assignments will receive a zero. 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 assignments will receive a grade of zero.**

IN-CLASS EXPECTATIONS

The use of phones and laptops is prohibited in class. Many elite institutions, including law schools, have chosen to ban electronics from the classroom on the same grounds that I do so: studies have repeatedly demonstrated that laptop usage exerts a statistically significant, negative effect on classroom outcomes. For example, a recent study of Principles of Economics classes at West Point found that when laptops were banned, students scored, on average, .18 standard deviations higher than their peers in laptop-using classrooms.¹ Several studies also demonstrate that taking notes by hand is, on average, superior for learning and retention than is taking notes by electronic device.² However, the strongest argument for a laptop ban comes from recent studies indicating that laptop usage harms the performance of non-laptop-using students in a laptop-using classroom.³ When someone’s activity imposes costs on someone else, economists call it a “negative externality.” My policy of banning electronics is an attempt to mitigate negative externalities in the classroom.

Consistent with the College’s goal of fostering a collegial academic environment and a community founded on the Christian ethic, all members of this class will treat each other respectfully, even when disagreeing with a viewpoint expressed by a classmate or the professor. *Ad hominem*,

¹ See here: <http://educationnext.org/should-professors-ban-laptops-classroom-computer-use-affects-student-learning-study/>.

² See here: <https://www.scientificamerican.com/article/a-learning-secret-don-t-take-notes-with-a-laptop/> or here: <https://sites.udel.edu/victorp/files/2010/11/Psychological-Science-2014-Mueller-0956797614524581-1u0h0yu.pdf>.

³ See here: <http://www.sciencedirect.com/science/article/pii/S0360131512002254?via%3Dihub>.

derogatory, or demeaning comments directed at individuals in or outside of our classroom do nothing to facilitate our pursuit of truth, undermine the nature of our Christian community, and will not be tolerated.

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*, the *American Economic Journal: Microeconomics*, 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 scrutiny by the author's professional peers who offer feedback by way of a referee report. Superior 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:

1. Begin with a brief overview of the paper to provide someone who's never read the paper with a working knowledge of it.
2. Succinctly describe the paper's primary contribution. What question did the paper ask and what answer did it provide?
3. Describe the author's theory and how they deploy it in answering their question.
4. Describe the author's data source and empirical strategy if appropriate.
5. Offer a significant critique regarding how the author could improve his work. The following questions will help you develop a critique: 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's model require unjustifiable 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?
6. Conclude with a brief assessment of the author's contribution.

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:

Preamble

Grove City College is deeply invested in upholding academic integrity and honesty. Three of the college's five core values, faithfulness, excellence, and community, directly relate to academic integrity because any violation of academic integrity is a form of theft and deceit that affects the one stolen from, as well as the community of students and faculty at the college. In addition, cheating is a violation of three of the Ten Commandments: the prohibitions against stealing, lying, and coveting. However, as the Ten Commandments and the totality of Scripture demonstrate to us, we are fallen creatures who at times do what we ought not do.

Accordingly, the college has created a policy both to define what cheating is and to describe our process for dealing with allegations of cheating in order to discourage cheating and provide an opportunity for meaningful repentance and restoration when students do cheat.

Pledge

As a student of Grove City College, I pledge to do my work faithfully with honesty in accordance with my calling as a student working for Christ's glory.

Cheating and Plagiarism may be present in many areas, including (but not limited to) the following:

1. Doing Papers, Outside Work. Work done out of class, which a student submits as his/her own work to a professor, should be his/her own and should not contain that which has been obtained from another, other than properly credited references, sources, and citations.
2. Taking Exams, Tests, Quizzes. Work done on a test, exam, or quiz, which a student submits to a professor, should be his/her own and should not contain that which has been knowingly obtained from another. By default, no resources are permitted unless explicitly allowed by the instructor.
3. Preparing for Exams. A student should not seek to gain an advantage on an exam he/she is about to take by obtaining advanced access to particular questions or advance copies of a professor's exam, or by giving access to other students. This includes access to exams from prior semesters.

4. **Group Work.** In courses where group work or teamwork is allowed, the members of the group may collaborate and share resources among themselves, but not with other groups or prior and subsequent classes.
5. A student should not cooperate with, aid, or encourage another student's violation of the above rules, even though he or she receives no direct benefit. Any student who does so is also guilty of cheating, and can have their grade from current or past semesters (if relevant) reduced.
6. **Instructor-Imposed Limitations.** Faculty may add (via syllabus, assignment instructions, or verbal instructions) additional rules and limitations pertaining to cheating in their particular discipline, class, and assignment.

Special Note: Plagiarism includes

1. Any direct quotation of another's words, from simple phrasing to longer passages, without using quotation marks and properly citing the source of those words.
2. Any summary or paraphrase of another's ideas without properly citing the source of those ideas.
3. Any information that is not common knowledge—including facts, statistics, graphics, drawings—without proper citation of sources.
4. Any cutting and pasting of verbal or graphic materials from another source and representing as one's own work—including books, databases, web sites, journals, newspapers, etc.—without the proper citation for each of the sources of those materials; this includes any copyrighted artwork, graphics, or photography downloaded from the Internet without proper citation.
5. Any wholesale “borrowing,” theft, or purchasing of another's work and presenting it as one's own, whether from the Internet or from another source.
6. Any presentation of “ghost-written” work including—whether paid for or not—as one's own original work, including papers, computer code, visual artwork, and other forms of written and non-written work.
7. Making one's work available for copying by others, as well as copying work posted on the Internet or otherwise made available by another.
8. Self-citation: you cannot submit the same work for two different classes. If you use part of an earlier work, or ideas from an earlier work, you should reference it, as with any other source.

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.

Covid-19 Pandemic: Grove City College is closely monitoring the COVID-19 outbreak, and we are committed to maintaining a safe and healthy campus community. In order to care for each other, you are required to wear a face mask (or officially sanctioned face shield) in all academic buildings including in all classrooms, labs, studios, hallways, and restrooms. Additionally:

Students and faculty should maintain social distancing (minimum 6' distance) to the extent possible during class.

Students should arrive no earlier than 5 minutes before class to reduce contact between students during class change periods.

Students showing any symptoms related to COVID-19 (outlined in the Campus Health and Safety Plan) must not attend class. Instead, they should report their condition through the College's COVID-19 portal, work closely with the College's medical staff, and not return to class in person until approved by the Zerbe Health Center. During this time, every effort will be made to provide remote learning opportunities.

Office hours may be held virtually, and if faculty voluntarily elect to hold face-to-face office hours, both students and faculty should wear a face mask.