Bowdoin College
Department of Economics

ECON 1101: Principles of Microeconomics, Spring 2015

“Economics is the art of making the most out of life” –Gary Becker

Time & Class Location: T,Th 11:30-12:55, Hubbard 213 (Pickering Room)
Professor: Dan Stone; dstone@bowdoin.edu
Office/Drop-in Hours: Hubbard 108; M, 2:00-4:00, W 2:00-3:30. If you’d like to meet and can’t make it at those times, please email me to set up an appointment.
QR Tutor: Kathleen Smith; ksmith3@bowdoin.edu
QR Study Session: Sun, 7:30-9:00, Hubbard Econ library (hw weeks only)

Prerequisite: Math 1050 or equivalent (algebra, geometry, other basic math like ratios, percentages). No rocket science, and no prior knowledge of economics necessary, but you should be enthusiastic about—or at least interested in, and open-minded about—mathematical analysis.

Course description and learning goals: This course is an introduction to standard (some call it neoclassical) microeconomic theory—the study of rational individual economic choice, and some aggregate outcomes that result from these choices. The big picture questions the theory is primarily intended to address are how and why the interactions of individuals pursuing their self-interests in various environments (in particular, markets) may or may not yield socially desirable outcomes.

While this course is traditional in the sense that we will spend most of our time on fairly standard theory, we will make an effort to be aware of, and question, the simplifying assumptions made for the sake of facilitating the analysis. We will not just accept the mathematical models as gospel truth – I’ll encourage you to think critically about their flaws/simplifications, what we can learn despite the flaws, and how to be careful not to be misled by flaws. We will also supplement the textbook with some readings from alternative perspectives.

Besides learning textbook introductory economic theory, i.e. the foundation of the material you would study in upper-level courses, there are several other learning goals.

- To help you better understand real-world economic outcomes—why prices for some goods are high and others low, why some goods are plentiful and others scarce, how changes in one market affect outcomes in other markets, etc.
- To give you economic literacy (learn the language of economics), which is useful even if you don’t continue to study economics. Economic terms and methods come up often in a wide range of other contexts (business, the news, other academic disciplines like political science, evolutionary biology).
- To hone your math and logical reasoning skills, and better understand how simple mathematical models can be used to gain insight into real-world situations.
- To help you better understand, and improve, your own economic decision-making.
Readings: Taylor, T., *Principles of Microeconomics, 3/e* is the required textbook. Our course will follow the book’s organization, and I will likely draw practice problems from the separate study guide. But, we will cover a fair amount of material in class that’s not in the book, and skip a fair amount of material that is in there. Other readings listed on the course schedule below are:


Hertsgaard, M. (“If It’s Good Enough for Big Oil …” *BusinessWeek*): http://www.businessweek.com/articles/2014-11-13/carbon-tax-oil-companies-account-for-it-dot-will-politicians-follow


Thiel, P. (“Competition is for losers”, *Wall St Journal*): http://www.wsj.com/articles/peter-thiel-competition-is-for-losers-1410535536

I may distribute other supplemental readings throughout the term. Other related and recommended but very optional readings are:

- *The Undercover Economist* by Tim Harford (easy read covering many important basic econ concepts).

My favorite econ blogs, which I recommend checking out (I’ll likely refer to them from time to time anyway), are marginalrevolution.com, and economistsview.typepad.com.

Teaching philosophy/methods for this course:

Microeconomic theory is straightforward for some people, and counter-intuitive for many others. And of course, different students have different learning styles—some learn best by seeing, some by reading, some by doing, some by listening etc. Still, I think the method of ‘content delivery’ that works best for the greatest number in this class is good old lecture, i.e., the prof standing in front of the room and doing his/her best to explain the material to everyone at once. So, the majority of class-time will be spent on this (but I certainly appreciate the importance of variety so we’ll spend a fair amount of time on other activities as well, more on this below).

I’m not crazy about the term lecture as I hope/plan for the time I spend “lecturing” to be highly interactive. I’ll often pose questions to you, and encourage you to speak up with your own questions and comments. I’ll also use some new technological tools to get you directly involved (clickers and moblab.com). I should note that I use powerpoint slides to guide lectures (these are my lecture notes) and to link to some relevant multimedia content. I post the slides to blackboard, but the slides are intentionally *incomplete*—missing a fair amount of important detail. The slides will therefore only make sense in conjunction with class notes/experience. I recommend that you take notes as if the slides were not going to be posted, and then just refer to them later only if necessary.
We’ll also do a few hands-on activities in class, including a Microsoft Excel lab, and I’ll try to provide time for you to work on practice problems in class on a fairly regular basis, often in small groups. Learning this material requires active problem solving, and doing this in groups will allow you to learn from each other, and for me to move around and interact with more of you directly than I would otherwise. You’ll also do similar problems as homework assignments. The point of these problems is to help learn the material – but you can also think of in-class problems as practice for homework, and homework as practice for tests, which is ultimately where you’ll demonstrate to me your understanding of the material.

**Advice on how to succeed in this course:** First and foremost, come to class, and focus and be engaged in class. Doing this – plus reading the textbook before and/or after class – plus working on practice problems in and out of class, attending QR study session as necessary and asking me clarifying questions – should be sufficient for most of you, for learning most of the material and performing well in class overall. If this doesn’t seem to be working for you – talk to me and we’ll see if we can come up with a strategy that works better for your learning style. If you miss a class, get notes from a classmate, and if they’re unclear, ask the classmate; if still unclear, don’t hesitate to ask other classmates, me or Kathleen (our QR tutor), or other/drop-in QR tutors. In general, try to review notes after class and be sure they make sense, and ask others/me if not. Start on homework/studying for tests early. Be sure you can do the practice/homework problems on your own – if not right away, get help, but after that test yourself with additional similar problems. In general – don’t hesitate to ask questions, in class, after class, office hours, email, etc!

**Web:** All course documents and grades will be posted to blackboard. I’ll at times email you announcements, reminders, clarifications, etc, but will try not to flood your inbox too much.

**Assignments and grading:** In addition to homework, there will be two midterms and a final exam. The tentative dates for each of these (due dates for HWs) are on the course schedule below. You may work on the homeworks with others and/or get help from the tutor or me, but the answers you submit should be your own. You can drop your lowest hw score, but late hws will not be accepted. You can of course always submit hw early (to my office or office mailbox, just inside first hallway on right in Hubbard). Make-up finals/midterms will only be given when you are not able to attend for a verifiable reason, with documentation. You should email me as soon as possible if you require a make-up midterm/final. Your class numerical grade will be a weighted average of the assignments, with weights as follows:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homework avg</td>
<td>15%</td>
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<tr>
<td>Midterm 1</td>
<td>25%</td>
</tr>
<tr>
<td>Midterm 2</td>
<td>25%</td>
</tr>
<tr>
<td>Final</td>
<td>35%</td>
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</tbody>
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I use a 10 pt grading scale for the course letter grade with 3 pt ranges for +/- (≥93 is A; 90-93 is A-; etc) with the possibility of curving up, which tends to happen more often for the lower scores. And following a policy used in other econ classes here at Bowdoin, while participation is not part of the numerical grade, I will take participation/engagement in class into account when deciding on final grades for students whose numerical averages are on the margin between two letter grades. If you have questions on how you are doing grade-wise at any point in the semester, let me know.
Course schedule and readings
(subject to change; all readings from Taylor unless noted)

Part I: Big picture concepts and tools
20-Jan Syllabus, Intros, What is economics?
22-Jan Choice (ch 1, ch2 - skim);
27-Jan Trade and comparative advantage (ch3); Frank reading; Stone reading (optional!)
29-Jan Trade ctd
3-Feb Supply and demand (ch4); HW 1 due
5-Feb S/D applications (ch5)
10-Feb Elasticity (ch7); HW 2 due
12-Feb Govt intervention
17-Feb Catch-up/review; HW 3 due
19-Feb Midterm 1

Part II: Consumer and Producer Theory
24-Feb Consumer theory (ch8 + appendix)
26-Feb Consumer theory ctd (labor/leisure choice)
3-Mar Cost and industry structure (ch9); HW 4
5-Mar Costs ctd (Excel lab – meet in electronic classroom, H-L library basement)
Spring break (!)
24-Mar Perfect competition (ch10)
26-Mar Perfect competition - long run supply
31-Mar Monopoly (ch11); HW 5
2-Apr Monopolistic competition (ch 12, p.201-208)
7-Apr Catch-up/review; Thiel reading
9-Apr Midterm 2

Part III: Market failure
14-Apr Game theory
16-Apr Oligopoly (ch 12 ctd)
21-Apr Negative externalities (ch 14); HW 6
23-Apr Positive externalities (ch 15); Hertsgaard reading
28-Apr Information (ch 18); HW 7
30-Apr Behavioral economics
5-May Catch-up/review; Smith reading

Final exam: May 13, 2pm