

Microeconomics

Course Text

Frank, Robert H., Ben S. Bernanke, Kate Antonovics, and Ori Heffetz. *Principles of Microeconomics*. 8th ed., McGraw Hill, 2022. ISBN: 9781264250387

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Course Description

Microeconomics is the analysis of the manner in which markets resolve the problem posed by the reality of scarce resources. A model of efficiency is constructed and is analyzed through the topics of demand, supply, production, distribution, consumer choice, the behavior of the firm, and market structure. A consideration of market failures and the role of government in a market-driven society completes the analysis. Other topics include international trade and finance.

Course Objectives

After completing this course, students will be able to:

- Identify and apply relevant terminology and concepts to economic issues and problems.
- Compare and contrast the market system of economics with other systems.
- Analyze and synthesize the public and private sectors of the U.S. economy.
- Use demand and supply models in the analysis of real-world issues.
- Use the theory of consumer choice to explain and to predict consumer behavior.
- Use market structure models to explain and to predict business firm behavior.
- Explain the basis for and the benefits of trade.

Course Prerequisites

There are no prerequisites to take Microeconomics.

Important Terms

In this course, different terms are used to designate tasks:

- **Proctoring:** all final exams require proctoring which can be completed conveniently from your home. A webcam is required.

- **Tutoring:** memberships include online tutoring for students to access with any content/subject related questions in the place of faculty. If your tutor is not able to answer your questions please contact a student advisor.
- **Practice Exercise:** A non-graded assessment to assist you in practicing the skills discussed in a topic.
- **Graded Exam:** A graded online test.

Academic Integrity Statement

Academic integrity is the pursuit of scholarly activity in an honest, truthful and responsible manner. Violations of academic integrity include, but are not limited to, plagiarism, cheating, fabrication and academic misconduct. Failure to comply with the Academic Integrity Policy can result in a failure and/or zero on the attempted assignment/examination, a removal from the course, disqualification to enroll in future courses, and/or revocation of an academic transcript.

Course Completion Policy

In order for a course to be considered complete, all required coursework must be attempted, submitted, and graded. Required coursework consists of graded assignments. Any Academic Integrity Policy violations may prevent a course from being considered complete.

Course Evaluation Criteria

Your score provides a percentage score and letter grade for each course. A passing percentage is **70%** or higher.

There are a total of 1000 points in the course:

Topic	Assessment	Points Available
3	Graded Exam 1	125
7	Graded Exam 2	125
7	Midterm Exam	200
11	Graded Exam 3	125
15	Graded Exam 4	125
16	Final Exam	300
Total		1000

Course Topics and Objectives

Topic	Lesson Topic	Subtopics	Objectives
1	Thinking Like an Economist	<ul style="list-style-type: none"> • Cost-Benefit Principle • The Scarcity Principle • Macroeconomics and Microeconomics • The Economizing Problem 	<ul style="list-style-type: none"> • Define opportunity cost and provide an example. • Explain the usefulness of the “other-things-equal” assumption in economics analysis.

Topic	Lesson Topic	Subtopics	Objectives
			<ul style="list-style-type: none"> • State the difference between Macroeconomics and Microeconomics. • Explain the problem of unlimited needs and wants as it relates to the individual and to society. • Explain the message of the basic production possibilities curve. • Represent a relationship between two variables with a graph.
2	Comparative Advantage	<ul style="list-style-type: none"> • International Trade • Specialization and Comparative Advantage • Government and Trade • Trade Barriers • Trade Agreements • Production Possibilities 	<ul style="list-style-type: none"> • Define comparative advantage and use a table to illustrate the concept. • Describe the gains from specialization and explain how exchange rates are determined. • Identify common trade barriers imposed by governments and explain why governments interfere with trade. • Analyze the economic impact of trade barriers. • Describe notable trade agreements. • Explain the difference between positive and normative economics. • Determine comparative advantage from information implicit in two PPCs. • Delineate a case for free trade.
3	Supply and Demand	<ul style="list-style-type: none"> • Economic Systems • Characteristics of the Market System • Markets • Demand • Supply • Market Equilibrium 	<ul style="list-style-type: none"> • Identify two major economic systems. • Identify and explain the characteristics of the market system. • Describe markets and their function. • Explain the relationship between price and quantity demanded. • Identify the determinants of demand. • Explain and graphically illustrate the difference between a change in quantity demanded and a change in demand. • Identify the determinants of supply. • Explain and graphically illustrate the difference between a change in quantity supplied and a change in supply. • Explain and graphically illustrate market equilibrium. • Explain the Efficiency Principle.

Topic	Lesson Topic	Subtopics	Objectives
			<ul style="list-style-type: none"> • Apply demand and supply analysis to real-world issues and problems. • Explain the income and substitution effects.
4	Elasticity	<ul style="list-style-type: none"> • Price Elasticity of Demand • Price Elasticity of Supply • Cross Elasticity of Demand • Income Elasticity of Demand 	<ul style="list-style-type: none"> • Calculate price elasticity of demand using the midpoint and the percentage formulas. • Compare and contrast inelastic and elastic demands. • Explain what determines price elasticity of demand. • Apply price elasticity of demand to real-world issues. • Contrast the short-run and the long-run with respect to price elasticity of supply. • Apply price elasticity of supply to real-world issues. • Explain cross-price elasticity and income elasticity of demand.
5	Demand	<ul style="list-style-type: none"> • Consumer Choice and Budget Constraint • Rational Spending and the Demand Curve • Consumer Surplus • Optimal Combination of Resources 	<ul style="list-style-type: none"> • Explain and illustrate The Law of Diminishing Marginal Utility. • Use The Law of Diminishing Marginal Utility to explain the shape of a typical demand curve. • Use the Rational Spending Rule to determine how a consumer will allocate a fixed income in the purchase of two goods. • Use the Rational Spending Rule to derive the demand for a product. • Explain the income and substitution effects. • Describe consumer surplus. • Determine the optimal combination of resources using two methods.
6	Perfectly Competitive Supply	<ul style="list-style-type: none"> • Characteristics of Perfect Competition • Short-Run Profit Maximization • Long-Run Profit Maximization • Producer Surplus 	<ul style="list-style-type: none"> • Identify the characteristics of the representative firm operating under the conditions of perfect competition. • Analyze the demand faced by the perfectly competitive firm. • Calculate the purely competitive firm's level of production and profit (or loss) in the short run using two methods.

Topic	Lesson Topic	Subtopics	Objectives
			<ul style="list-style-type: none"> • Explain the condition under which the perfectly competitive firm will shut down in the short run. • Derive the competitive firm's short-run supply curve. • Analyze the perfectly competitive firm's long-run equilibrium. • Describe producer surplus.
7	Efficiency, Exchange, and the Invisible Hand	<ul style="list-style-type: none"> • Economic Profit • Economic Rent 	<ul style="list-style-type: none"> • Analyze the sources of economic profit. • Explain the economic function of profit. • Explain the existence of economic rent. • Explain why Adam Smith believed the "invisible hand" would promote the public or social interest.
8	Monopoly, Oligopoly, and Monopolistic Competition	<ul style="list-style-type: none"> • Characteristics of Pure Monopoly • Monopoly Demand • Monopoly Output and Price Determination • Efficiency Implications of Pure Monopoly • Price Discrimination • Public Policy • Characteristics of Monopolistic Competition • Price and Output Determination in Monopolistic Competition • Monopolistic Competition and Efficiency • Characteristics of Oligopoly • Models of Oligopoly • Oligopoly and Efficiency • The Antitrust Laws and Policy • Effectiveness of Antitrust Laws • Natural Monopoly 	<ul style="list-style-type: none"> • Compare and contrast the characteristics of pure monopoly with those of perfect competition. • Compare and contrast the demand curve and marginal revenue curve of the monopolist with that of the purely competitive firm. • Use the $MR=MC$ rule to determine the monopolist's profit maximizing price and output. • Analyze the economic effects of monopoly. • Define price discrimination. • Identify real-world examples of price discrimination. • Analyze the various public policies toward natural monopoly. • Compare and contrast the characteristics of monopolistic competition with those of pure competition. • Use the $MR=MC$ rule to determine the monopolistically competitive firm's output and price in the short and long run. • Analyze the efficiency implications of the monopolistically competitive market. • Identify the conditions that lead to oligopoly. • Analyze three models of Oligopoly.

Topic	Lesson Topic	Subtopics	Objectives
			<ul style="list-style-type: none"> Analyze the efficiency implications of oligopoly. Describe the most important of the antitrust laws of the U.S. and the historical events leading to the passing of these laws. Describe inconsistencies in antitrust policies. Analyze the conditions that result in the existence of natural monopoly.
9	Games and Strategic Behavior	<ul style="list-style-type: none"> Game Theory The Prisoner's Dilemma 	<ul style="list-style-type: none"> Use Game Theory to explain pricing behavior in different markets. Apply the Prisoner's Dilemma to real-world scenarios. Provide examples when timing matters in a game.
10	An Introduction to Behavioral Economics	<ul style="list-style-type: none"> Judgmental Heuristics or Rules of Thumb Misinterpretation of Contextual Clues Impulse-Control Problems Loss Aversion and Status Quo Bias Beyond Narrow Self-Interest Concerns about Relative Position 	<ul style="list-style-type: none"> Describe Rules of Thumb Explain how consumers may misinterpret context clues Explain how consumers suffer from impulse-control problems Describe loss aversion and status quo bias Explain Narrow Self-Interest List examples of laws and regulations related to behavioral economics
11	Externalities and Property Rights	<ul style="list-style-type: none"> Externalities Private Ownership Costs and Access High and Rising Health Care Costs Why Costs Are Rising So Rapidly Health Care Reform Pollution Workplace Safety 	<ul style="list-style-type: none"> Define positive and negative externalities. Use the Coase Theorem to analyze a real-world individual bargaining example. Explain various ways in which government can bring about efficiency in the face of externalities. Describe how private ownership prevents the "tragedy of the commons". Present current statistics relative to the healthcare industry. Analyze the healthcare industry and explain why costs are rising so rapidly in that industry. Use cost-benefit criterion to show why healthcare costs are rising so rapidly.

Topic	Lesson Topic	Subtopics	Objectives
			<ul style="list-style-type: none"> List various options to health care reform. Discuss the ways in which taxes and tradable permits can reduce pollution. Apply the Cost-Benefit Principle to improve workplace safety.
12	The Economics of Information	<ul style="list-style-type: none"> Economic Value The Cost-Benefit Test Asymmetric Information 	<ul style="list-style-type: none"> Explain how buyers and sellers can create real economic value. Identify the optimal amount of information by applying the Cost-Benefit Principle. Define asymmetric information. Describe how asymmetric information contributes to the lemons problem. Explain the responses to asymmetric information problems.
13	Labor Markets, Poverty, and Income	<ul style="list-style-type: none"> Labor, Wages, and Earnings Perfect Competition in the Labor Market Imperfect Competition in the Labor Market The Minimum Wage Debate Wage Differentials Facts About Income Inequality Causes of Income Inequality Income Inequality Over Time Poverty Economic Efforts of Unions Labor Market Discrimination Economic Analysis of Discrimination Marginal Productivity Theory Deadweight Loss 	<ul style="list-style-type: none"> Distinguish between nominal wages and real wages. Describe the relationship between real wages and productivity. Analyze wage determination in a purely competitive labor market. State a case for and against the minimum wage. Analyze the causes of income inequality. Present historical data on income inequality. Define poverty and delineate the incidence of poverty. State ways in which unions may decrease economic efficiency. States ways in which unions may increase economic efficiency. Define labor market discrimination and identify the types of discrimination that may occur. Explain how changes in the determinants of resource demand impact the demand for resources. Illustrate deadweight losses due to over- or under-production of an economic good.

Topic	Lesson Topic	Subtopics	Objectives
14	Public Goods and Tax Policy	<ul style="list-style-type: none"> • Public Goods • Tax Incidence and Efficiency Loss 	<ul style="list-style-type: none"> • Compare and contrast private goods and public goods. • Use the $MB=MC$ rule to determine the optimal quantity of public goods. • Explain why rent seeking occurs. • Contrast progressive, proportional, and regressive taxes. • Analyze the relationship between elasticity and tax incidence. • Illustrate the efficiency loss of a tax.
15	International Trade and Trade Policy	<ul style="list-style-type: none"> • Comparative advantage • Closed & Open Economies • Possibilities Curve • Politics of international trade 	<ul style="list-style-type: none"> • Explain the comparative advantages in trade • Illustrate Possibilities Curves • Explain supply and demand in relation to international trade • Illustrate why trade is political
16	Review		

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