

Eco 308 – Intermediate Microeconomic Analysis

Spring 2015

Instructor Information

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Textbook

Microeconomics by Austan Goolsbee, Steven Levitt and Chad Syverson. The textbook is available from [Textbook Rental](#) (ISBN: 978-0-7167-5975-1). The textbook serves as a reference in this course. Students should consult the textbook for information covered in class that requires further clarification.

Course Description

In this course, we develop models of consumer and producer behavior. The analysis takes place at two levels: individual and market. Thus, the course has two parts. The first focuses on consumer and producer behavior at the individual level. Within the individual framework, it is assumed that economic agents maximize their well-being; utility for consumers and profits for producers. For individual consumers, we investigate how they allocate their limited time and budget, how they make decisions under uncertainty, how to construct an individual demand curve and how to derive a market demand curve. For individual producers, we study how output decisions are made, how the quantity and mix of inputs are chosen, how to construct a firm supply curve, and how to derive a market supply curve. After deriving market demand and supply curves, we then shift our focus to an analysis of different market outcomes. In particular, we study perfect competition, monopoly, oligopoly, monopolistic competition and externalities. Particular emphasis is placed on comparing the efficiency of different market outcomes (e.g., monopoly versus perfect competition).

Learning Objectives

1. Manipulate supply-and-demand models to determine the impact of a microeconomic policies and exogenous events on equilibrium prices and quantities.
2. Predict the impact of exogenous changes to an individual's budget or preferences on consumer choice using models of utility maximization.
3. Construct models of profit maximization (or cost minimization) in order to determine the impact of exogenous changes in technology and factor prices on the firm's allocation problem.
4. Using the tools above, evaluate microeconomic policies from the standpoint of social efficiency (optimality).

Desire2Learn (D2L)

The Desire2Learn (D2L) course management system is used to administer this course. Although I will use other features within D2L, there are three functions that I will use frequently, and students should check these on a regular basis for new course material and information:

- *News*
 - Important information about the course is posted.
- *Content*
 - Links to slides, notes, problem sets, quizzes, exams, and other resources are provided.
- *Grades*
 - The dissemination of grades to students via D2L is useful due to privacy issues, as grades constitute private information between instructors and students. I **will not** email grades to students under any circumstance. If D2L is not accessible, students must see me face-to-face to obtain information regarding their grades.

Grading

The final grade is composed of four components: attendance (5 percent), participation (5 percent), quizzes (20 percent) and exams (70 percent). The following equation explicitly shows how final grades will be computed:

$$\text{final average} = 0.05(\text{attendance}) + 0.05(\text{participation}) + 0.20(\text{quizzes}) + 0.70(\text{exams}). \quad (1)$$

A *final average* of 93 or above is an “A”; 89 to 92 is an “A/B”; 83 to 88 is a “B”; 79 to 82 is a “B/C”; 70 to 78 is a “C”; 60 to 69 is a “D”; and below 60 is an “F”. The final grades are nonnegotiable. If you earn a final grade of 88, this is a “B” not an “A/B”. If your goal is to earn an “A” or “A/B” in this class, you should work and understand the problem sets, attend class regularly, ask questions in class, and use the textbook to reinforce the lectures. Do not bother coming by my office or sending an email begging for a higher grade at the end of the semester. This will be an ineffective means of achieving your goal. If you are struggling with the material, stop by my office or set up an appointment with me *early* in the semester. More information is provided below on each component of the final grade.

- *Attendance*

Attendance will be taken each class period, except when an exam is scheduled. The value that *attendance* takes on in equation 1 is the percentage of classes attended (multiplied by 100). It is important to attend class, as students who attend class typically perform much better than those who do not. In addition, the material in this course is difficult, and it would be challenging on teach one’s self how to conduct microeconomic analysis.

- *Participation*

While attendance is straightforward to measure, class participation is not. In this course, participation is assessed by determining whether students are completing the problem sets (more detail provided in class on how this will work). Effectively, I will collect problem sets and assign one of the following grades: 0, 50, 80, 90 and 100 (explanation provided in class). To receive full credit, students must complete the entire problem set. The other scores (i.e., 0, 50, 80 and 90) are based on the percentage of the problem set completed. Students will not know in advance when a problem set will be collected. In equation 1, *participation* is based on the average of the scores on the problem sets.

- *Quizzes*

A number of quizzes (approximately 8-12) will be given over the course of the semester. The quizzes will be administered during certain class periods, either during or at the end of class. The quiz dates *will not* be known in advance. The quiz will consist of one (or two) problem(s) that is (are) similar to those on the problem sets and the examples worked in class. If you miss a quiz, a zero will be assigned. Students *will not* be allowed to make-up a missed quiz. The variable *quizzes* from equation 1 is the average score.

- *Exams*

Three regular exams will be given over the course of the semester, which will be administered during class. Students will have the entire class period to complete the exams. The exams will be similar to the problems on the quizzes and problem sets. The questions will be in short-answer format. The average of the three exams makes up the exam portion of the final average (the variable *exams* in equation 1).

However, students will have an opportunity to improve their exam average by taking an **optional comprehensive final exam**. Any regular exam score that is less than the final exam score will be replaced by the final exam score. As an example, consider the table below, which shows three hypothetical students' exam grades.

Student	Exam #1	Exam #2	Exam #3	Pre-Final Exam Average	Final Exam	Post-Final Exam Average
Student A	57	90	63	70	80	83
Student B	70	70	100	80	55	80
Student C	90	90	90	90	95	95

Student A had a 70 exam average before the final exam. But Student A improved their exam average by scoring an 80 on the final exam. Note that the 80 Student A scored on the final exam replaces the scores for Exams #1 and #3 but not Exam #2. Therefore, the exam grades used to calculate Student A's exam average are 80, 90, and 80. Student A's final exam average improves to 83. Student B had an average of 80 before the final exam. However, their final exam score of 55 is not greater than any of Student B's other exams scores. As a result, Student B keeps the 80 exam average that they had before taking the final exam. Student C had a 90 exam average before the final exam. This student scored a 95 on the final exam, which replaces their scores on Exams #1, #2, and #3. As a result, Student C's exam average improves to 95.

The final exam can be taken on any one of the following dates/times: (i) Monday, May 11th from 4:45 – 6:45 PM, (ii) Wednesday, May 13th from 12:15 – 2:15 PM, or (iii) Friday, May 15th from 12:15 – 2:15 PM. All final exams will take place in CWH 230.

Make-up Exams

Students may complete a missed exam only in extraordinary circumstances. In general, I will allow students to make-up an exam **if and only if** three conditions are met: (1) I am notified before the exam date; (2) the reason for missing the exam is sensible; and (3) the make-up exam is taken before the answers to the exam are uploaded to D2L. However, given that the final exam replaces any exam score that is less than the final exam score, the score received on the final exam replaces the “zero” assigned for missing an exam.

Tardiness

Arriving late to class is unacceptable, as doing so disrupts the entire class. “On time” means being seated and ready for class at the time class is set to begin, not walking in the classroom at that time. At this point, I do not want to have a policy regarding tardiness, other than to say it should be avoided. If tardiness becomes a problem, I will pursue extreme ways to address the issue (e.g., reducing the grades of violators, locking the door when class begins, etc.), as it may be necessary to raise the cost significantly in order to deter the practice of arriving late. If everyone arrives on time, there will be no need for a policy regarding tardiness.

Students with Disabilities

Any student with a documented disability (e.g., physical, learning, psychiatric, vision, or hearing, etc.) who needs to arrange reasonable accommodations must contact the instructor and the Disability Resource Services office (165 Murphy Library, 608-785-6900, ability@uwlax.edu) at the beginning of the semester. Students who are currently using the Disability Resource Services office will have a copy of a contract that verifies they

are qualified students with disabilities who have documentation on file in the Disability Resource Services office. It is the student's responsibility to communicate his/her needs with the instructor in a timely manner. Review the Disability Services office website at <http://www.uwlax.edu/drs/>. Information about accessibility with Desire2Learn (D2L) can be found here: <http://www.desire2learn.com/products/accessibility/>.

Academic Misconduct

Statement of Principles

The Board of Regents, administrators, faculty, academic staff, and students of the University of Wisconsin system believe that academic honesty and integrity are fundamental to the mission of higher education and of the University of Wisconsin System. The University has a responsibility to promote academic honesty and integrity and to develop procedures to deal effectively with instances of academic dishonesty. Students are responsible for the honest completion and representation of their work, for the appropriate citation of sources, and for respect of others' academic endeavors. Students who violate these standards must be confronted and must accept the consequences of their actions.

What is Academic Misconduct?

Academic misconduct is an act in which a student (a) seeks to claim credit for the work or efforts of another without authorization or citation; (b) uses unauthorized materials or fabricated data in any academic exercise; (c) forges or falsifies academic documents or records; (d) intentionally impedes or damages the academic work of others; (e) engages in conduct aimed at making false representation of a student's academic performance; or (f) assists other students in any of these acts.

Examples

Examples of academic misconduct include, but are not limited to cheating on an examination; collaborating with others in work to be presented, contrary to the stated rules of the course; submitting a paper or assignment as one's own work when a part or all of the paper or assignment is the work of another; submitting a paper or assignment that contains ideas or research of others without appropriately identifying the sources of those ideas; stealing examinations or course materials; submitting, if contrary to the rules of a course, work previously presented in another course; tampering with the laboratory experiment or computer program of another student; knowingly and intentionally assisting another student in any of the above, including assistance in an arrangement whereby any work, classroom performance, examination or other activity is submitted or performed by a person other than the student under whose name the work is submitted or performed.

Technical Support

There are several tutorials and handbooks about D2L listed on this website: <http://www.uwlax.edu/ats/d2l/student.htm>. In addition, you can contact ITS Support Center at (608) 785-8774 or itssupport@uwlax.edu for any questions about D2L or other technological difficulties. The hours for ITS are as follows: Monday through Thursday from 7:30 am to 6:30 pm, and Friday from 7:30 am to 4:30 pm, Central Time.

Syllabus Changes

I reserve the right to change the course syllabus. If changes are made, adequate notice will be provided. I *will not* change the ways in which grades are assigned, with the exception of a possible change in policy regarding tardiness. As I mentioned above, there is no formal policy on tardiness, but I reserve the right to adopt one should it become necessary. The most likely changes will be to the course outline (see below).

Course Outline

1. An Introduction to Economic Analysis
2. Review of Essential Mathematics
3. Consumers
 - (a) Budget Constraint

- (b) Utility
- (c) Choice
- (d) Demand
- (e) Uncertainty
- (f) Market Demand
- (g) Consumer Surplus

4. Producers

- (a) Technology
- (b) Profit Maximization
- (c) Cost Minimization
- (d) Cost Curves
- (e) Firm Supply
- (f) Industry Supply
- (g) Producer Surplus

5. Market Analysis

- (a) Competitive Markets
 - i. Market Equilibrium
 - ii. Shocks to the Market Equilibrium
 - iii. Government Policies
- (b) Monopoly
 - i. Market Power
 - ii. Monopoly Equilibrium
 - iii. Welfare Effects
 - iv. Government Intervention
 - v. Price Discrimination
- (c) Oligopoly
 - i. Cartels
 - ii. Residual and Market Demand
 - iii. Cournot Model
 - iv. Stackelberg Model
 - v. Bertrand Model
- (d) Monopolistic Competition
 - i. Equilibrium Conditions
 - ii. Product Differentiation
 - iii. Location Models
- (e) Externalities
 - i. Production and Consumption Externalities
 - ii. Free Market Equilibrium
 - iii. Socially Optimal Outcomes
 - iv. Government Intervention

6. Other Topics (time permitting)

- (a) Public Goods
- (b) Asymmetric Information