

Principles of Microeconomics (ECON 2420)
Summer 2008, Session 4 (7-7-08 to 8-8-08)
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Objectives

This course has two major objectives:

- 1) Help you as a businessperson. This course will provide you with an intellectual template useful for understanding features of markets: the forces that affect demand and supply; the ways in which businesses think of costs; the ways in which prices and wages are set.
- 2) Help you as a citizen: It was William James who said, "A great many people think they are thinking when they are merely rearranging their prejudices." A lot of what passes for economic wisdom is simply uninformed opinion or prejudice; this course will provide you with some understanding about the U.S. economy, helping you to decide intelligently which economic policies best fit your own preferences regarding America's future.

Grading: I will give at least 14 quizzes during the semester. Each quiz will have at least five multiple choice questions. A final exam will be given on Thursday August 7. The final will consist of at least 30 slightly reworded questions from the quizzes. Thus, there will be at least 70 quiz question (14 x 5) and 30 final exam questions, for a total of 100 questions. Each correctly answered question, on a quiz or the final exam, therefore counts as one point toward your final grade. A score of 90 and above is an 'A'; 89 is 'B+'; 81 to 88 is 'B'; 80 is 'B-'; 79 is 'C+'; 71 to 78 is 'C'; 70 is 'C-'; 69 is 'D+'; 61-68 is 'D'; 60 is 'D-'; and 0 to 59 is 'F'. If you miss a quiz, there will be no make-up quiz, and I do not curve. Instead, I will try to give at least one extra quiz, and to have at least one bonus point on each quiz. In a typical class, a quarter of the students will make an 'A' and another quarter will make an 'F'.

Course Format: Principles of Microeconomics is primarily a lecture course. All material covered on quizzes will be discussed in class. Students are responsible for obtaining the lecture notes.

Course Materials: The course is lecture based, but I recommend that all students have a textbook for background reading. Any textbook will do, including older editions of current textbooks, or free online textbooks (e.g., Timothy Taylor's book at www.freeloadpress.com). All students are required to read the *Wall Street Journal*.

Comments

- Keep this syllabus. If you have questions about course requirements, the syllabus is the best source.
- Microeconomics is a difficult class and no instructor can magically make it easy. We will cover a lot of material, much of it very abstract. You need to listen to the lectures and study your notes outside of class.
- You need to come to every class. If you miss a class, you must make arrangements to obtain notes from another class member. If you think you will miss more than two classes, please take the course with an instructor who closely follows a textbook, and who gives few exams.
- I have certain expectations about student behavior. Students should pay attention, should take notes, and should put some energy into learning economics. If you need to leave class early, please let me know before class starts. . Please: no text-messaging or sleeping during class.
- If, for any reason, you wish to drop the course, I will sign a drop slip. Please decide on your commitment to this course by the eighth class.
- I will make every reasonable effort to accommodate students with disabilities.

Sample Quiz

- 1) Mad cow disease causes a panic in Britain, shifting the demand curve for British beef dramatically to the __?__. Analysts wonder, what will be the effect on American beef? If Europe looks on U.S. beef as a safe replacement for British beef, then the price of U.S. beef should __?__. If, however, American consumers *also* become worried about mad cow disease, then the price of U.S. beef should __?__.
 - a) left, rise, fall
 - b) right, rise, fall
 - c) right, fall, rise
 - d) left, fall, rise
 - e) none of the above
- 2) Cigarettes cost the U.S. public billions of dollars each year, in terms of higher health insurance premiums and higher expenditures on Medicaid and Medicare. Many analysts therefore advocate a higher cigarette tax, which would shift the __?__ curve for cigarettes __?__ by the amount of the tax. This would have the effect of __?__ the equilibrium quantity of cigarettes consumed and obtaining tax revenue which could be used to subsidize insurance premiums and public health programs, therefore offsetting some of the public costs of smoking.
 - a) demand, to the right, increasing
 - b) supply, downward, increasing
 - c) demand, to the left, decreasing
 - d) supply, upward, decreasing
 - e) none of the above
- 3) Many fast-food restaurants hire most of their labor at the minimum wage. If the minimum wage increases, it is likely that the equilibrium price of fast food would __?__ and the equilibrium quantity of fast food would __?__. It is also likely that unemployment among teenagers would __?__.
 - a) increase, decrease, increase
 - b) decrease, increase, decrease
 - c) increase, increase, decrease
 - d) decrease, decrease, increase
 - e) none of the above
- 4) When incomes rise, sales for most firms selling __?__ goods rise, causing profits to __?__, and making the demand curve for stocks shift to the __?__, so that stock prices __?__.
 - a) inferior, rise, right, rise
 - b) normal, fall, left, fall
 - c) normal, rise, left, rise
 - d) inferior, fall, left, fall
 - e) none of the above
- 5) Suppose that stock traders believe that Cracker Barrel stock prices are the highest that they will ever be (i.e., they will be lower in the future). This will cause the demand curve for Cracker Barrel stock to shift to the __?__, the supply curve for Cracker Barrel stock to shift to the __?__, and the equilibrium price of Cracker Barrel stock to __?__.
 - a) right, left, rise
 - b) left, right, rise
 - c) right, left, fall
 - d) left, right, fall
 - e) none of the above
- 6) Suppose that Disney attempts to acquire Pepsico. This causes the __?__ curve for Pepsico stock to shift to the __?__, leading to __?__ in the equilibrium price of Pepsico stock.
 - a) demand, right, an increase
 - b) supply, left, an increase
 - c) demand, left, a decrease
 - d) supply, right, a decrease
- 7) Bond yields can also be called __?__. As bond prices __?__, bond yields __?__.
 - a) bond prices, rise, rise
 - b) bond prices, rise, fall
 - c) interest rates, fall, fall
 - d) interest rates, fall, rise