Grays Harbor College

ECON& 201 Principles of Microeconomics

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Course Description:

An introduction to microeconomics. At study of the decision-making processes of individual economic units, including business and consumers. Basic theoretical tools are applied to problems of current interest.

5 credits. Satisfies social science distribution area B requirement or as specified elective for the AA degree. Prerequisites: ECON& 202 or instructor permission.

Textbook:
Economics: Private and Public Choice
Twelfth Edition - ISBN-10: 0324590024 | ISBN-13: 9780324590029 Gwartney, Stroup, Sobel, Macpherson
Southwestern:Cengage Publishing
2009

Methods of Instruction: Lectures, class discussion, group problem-solving in class, internet video and web based resource supplements. Quizzes, homework problems, final exam.

Course Content:

Week 1
The Economic Approach
Some Tools of the Economist
Week 2
Supply, Demand, and the Market Process
Supply and Demand: Applications and Extensions
Week 3
Consumer Choice and Elasticity
Costs and the Supply of Goods
Week 4
Price Takers and the Competitive Process
Price Searcher Markets with Low Entry barriers
Week 5
Price Searcher Markets with High Entry Barriers
The Supply and Demand for Productive Resources
Week 6
Earnings, Productivity and the Job Market
Investment, the Capital Market, and the Weal the of Nations
Week 7
Government Spending and Taxation
The Internet: How It is Changing the Economy
Week 8
The Economics of Social Security
The Stock Market: Its Functions, Performance, and the Potential as an Investment Opportunity
Week 9
The Federal Budget and National Debt

Labor Market Policies and the Natural Rate of Unemployment: A Cross Country Analysis
Week 10
Review and Final Exam

GRADING: Will consist of three quizzes for 60% of the grade, homework 10% attendance 10% and final exam 20%.

Key earning goals and objectives:

1. Explain the relationship between choice and scarcity.
2. Explain the concept of opportunity cost.
3. Describe the use of comparison of marginal benefits to marginal costs to make a economic decision.
4. Identify the categories of resources (factors of production).
5. Draw a production possibilities curve (PPC) model and state the assumptions of the PPC model.
6. Demonstrate, on a PPC model, the trade-off required when the product mix is changed.
7. Describe the law of increasing (opportunity) costs.
8. Show the following on a PPC model: an unattainable product mix an attainable but inefficient mix, and an attainable efficient mix.
9. Describe, using a PPC model, how economic growth can occur.
10. Describe, using words, a graph, and a data table, the behavior of buyers (the law of demand).
11. Describe, using words, a graph, and a data table, the behavior of sellers (the law of supply).
12. Identify and describe the determinants of demand behavior.
13. Identify and describe the determinants of supply behavior.
14. Distinguish between "a change in demand" and "a change in quantity demanded".
15. Distinguish between "a change in supply" and "a change in quantity supplied".
16. Explain how market equilibrium is reached, and what equilibrium and disequilibrium mean.
17. Define surplus and describe the market process to eliminate it.
18. Define shortage and describe the market process to eliminate it.
19. Explain what happens to equilibrium price and quantity when demand increases (decreases).
20. Explain what happens to equilibrium price and quantity when supply increases (decreases).
21. Describe a price ceiling, identify its consequences, and tell who benefits and who loses.
22. Describe a price floor, identify its consequences, and determine who benefits and who loses.
23. Contrast rationing in a free market with rationing in a price controlled market.
24. Contrast how a government controlled system and a market capitalist system would answer the three basic economic questions.
25. Contrast the ownership of property and the ability to make decisions about the use of resources in a government controlled system and a market capitalist system.
26. Contrast the methods of developing an incentive (or inducement) to produce in a government controlled system and in a market capitalism system.
27. Use a simplified circular flow model to show the relationships between firms and households in product markets and in factor markets.
28. Define price elasticity of demand.
29. Categorize goods as elastic or inelastic based on (a) availability of substitutes, (b) degree of necessity, (c) portion of income needed to buy the good, (d) time available to the buyer.
30. Describe what happens to total revenue when an elastic (inelastic) good is put on sale (is raised).
31. Tell why time is the primary determinant of supply elasticity.
32. Use the total revenue test to determine whether a good is elastic or inelastic, given the price change and the quantity change.
33. Describe why the state should concentrate on inelastic goods as candidates to be taxed.
34. Define total utility (TU) and marginal utility (MU).

35. Explain the principle of diminishing marginal utility.
36. Use marginal analysis to show how one would to stop buying a series of a good.
37. Demonstrate consumer surplus.
38. Make a marginal utility per dollar (MU/P) comparison to determine what mix of options is best.
39. Describe the condition of consumer equilibrium and what happens if this equilibrium is upset.
40. List the advantages and disadvantages of the various types of firm structure.
41. Distinguish between explicit costs and implicit costs.
42. Identify the differences between accounting profit, economic profit, and normal profit.
43. Differentiate between short run decision making and long run decision making.
44. Diagram total product (TP) and marginal product (MP). Use this diagram to explain increasing, diminishing, and negative marginal returns.
45. Describe the difference between fixed and variable inputs in the short run.
46. Describe the difference between fixed and variable costs in the short run.
47. Portray the following on a properly labeled diagram: FC, VC, TC. Define mathematically AFC, AVC, AC, and MC and portray them in a properly labeled model of short run production costs.
48. Given a table of outputs (Q) and total costs (TC), calculate TFC, TVC, ATC, AVC, AFC, and MC.
49. Draw and properly label a typical long run average cost curve. On it, identify the ranges of outputs where a firm would encounter (a) economies of scale, (b) diseconomies of scale, (c) constant returns to scale.
50. Explain why economies (diseconomies) of scale occur.
51. List the characteristics of perfect competition.
52. Tell why each firm in perfect competition perceives its demand curve to be horizontal.
53. Tell why each firm in perfect competition is a "price taker".
54. Describe the profit maximization rules (based on MR and MC) a firm would use to adjust its level of output.
55. Describe when a firm should shut down when it incurs a loss.
56. Describe when a firm should continue to operate when it incurs a loss and tell what the firm should be doing in this situation.
57. Explain why a low cost producer is the more likely survivor if the market price falls.
58. Describe the long run equilibrium conditions in a perfectly competitive market.
59. Relate the existence of economic profits to industry expansion.
60. Relate the existence of economic losses to industry shakeout and decline.
61. Describe the slope of the monopolist's MR curve and its position in relation to the monopolist's demand curve.
62. Discuss why a monopolist firm would not charge its customers just any price it wants.
63. Describe the major barriers to entry that secure a monopolist's position.
64. Tell why the monopolist would operate only on the elastic portion of the demand curve.
65. Describe, using a graph if necessary, the two step process a monopolist uses to determine price.
66. Describe the necessary conditions for a monopolist to practice price discrimination
67. Contrast the price charged and the quantity of output produced by a monopolist with those of an industry in perfect competition.
68. Describe a natural monopoly and tell how its activity is regulated by government.
69. Compare and contrast the characteristics of perfect competition, monopolistic competition, oligopoly, and monopoly.
70. Explain why firms in monopolistic competition rely heavily on product differentiation and innovation.
71. Describe the impact of an advertising campaign on the firm's demand curve and on its cost curves.
72. Discuss the importance to oligopolists of brand name loyalty.
73. Describe how mutual interdependence affects the decision-making behavior of oligopolists.
74. In oligopoly, describe what is meant by market share and tell how its importance leads to price rigidity.
75. Define and state the purpose of collusion.
76. Describe how a cartel would establish an industry-wide price for its product.

77. Identify the main purposes of antitrust policy.
78. Differentiate between horizontal, vertical, and conglomerate mergers. Give an example, real or fictional, of each.
79. Explain why the demand for labor is called a derived demand.
80. Relate MR, MP, and MRP.
81. Explain why profit-maximizing firms would use the MRP-to-wage comparison when hiring employees.
82. Describe how an increase in product demand affects MR and MRP, and how this could lead to an increase in wages and/or an increase in employees.
83. Describe how an increase in worker productivity affects MP and MRP, and how this could lead to an increase in wages but not an increase in employees.
84. Describe how an increase in wages with no increase in MR or MP might affect the number of people employed.
85. Explain why, when government increases the minimum wage, some low-skill workers benefit and others lose.
86. Describe the labor-leisure trade off.
87. Tell how each of the following would affect wages in a labor market: (a) skill requirements; (b) education and training requirements; (c) credential requirements; (d) unpleasant working conditions; and (e) discrimination.
88. Show why an increase in demand for highly skilled people pushes their wages up quickly but a similar increase in demand for unskilled workers does not change their wages much at all.
89. Discuss how wages might differ between two similar work sectors, for example, one union and one non-union.
90. List possible reasons why there is a (a) gender pay gap or a (b) racial pay gap.
91. Define economic rent.
92. Show why the price of a good in fixed supply is determined solely by the demand for the good.
93. Describe the entrepreneur's: (a) willingness to face future uncertainty; (b) ability to innovate; and (c) capability to attain monopoly power.
94. Explain what a person being "risk averse" means.
95. Explain why the goal of perfect income equality is probably not desirable.
96. Discuss the trade-off between equity and efficiency in income redistribution.
97. Define the official method of calculating the poverty line income threshold.
98. Describe "the welfare trap".
99. Define marginal social benefits and marginal social costs. Tell how they differ from marginal private benefits and marginal private costs.
100. Explain what is meant by "internalizing external costs".
101. Outline the role of government, as agent of society, in dealing with positive (negative) externalities.
102. Explain why a public good would not become available if left up to the private sector.
103. Outline the role of government in dealing with public goods.
104. Describe how a marginal social benefit-marginal social cost approach to pollution control could define the optimal amount of pollution to be allowed.
105. Describe "rent seeking" by a special interest group.
106. Describe how a subsidy promotes the production of goods with positive externalities.
107. Explain how an agricultural price support program works.