Economics E201  Introduction to Microeconomics  Fall 2016
Class (Section) 3140  2:30-3:45  TR  BH 013

INSTRUCTIONAL TEAM

Professor: Peter Olson
Office: Wylie Hall 255 (second floor, southeast corner
Office hours: 4:00-5:15 MW and by appointment
Office phone: 855-8078
E-mail: polson (For important messages and/or quick responses only. Please include your class
time in any correspondence with me. Please do not use Canvas email.

Graduate Teaching Assistants: Beverly Mendoza bemendoz
Bo Hu hu21

Undergraduate Teaching Interns: Megan Burge mrgorge
Eyob Moges emoges
Dhruti Patel dhruat

TEXTBOOK (required): Mankiw, Principles of Microeconomics with Study Guide, Custom 7th Edition, 2015. Note that there is a Study Guide bound with the print textbook and the package includes access to Aplia, the online resource.

ONLINE RESOURCES (required): Aplia, included when you buy the print textbook above. But there are other options:
1) you may purchase Aplia for about $100 and get 180-day access to the e-book, which includes videos and tutorials;
2) you may purchase Aplia for about $100 and rent a print textbook;
3) you may try Aplia until Sep 13 without a charge to see which bundle of resources you prefer. Here is a direct link
the online resources:
http://login.cengagebrain.com/course/2HL2-SDN9-WANE
If you have already registered for Aplia, the E201 course key is 2HL2-SDN9-WANE

WALL STREET JOURNAL (optional but recommended): The WSJ is the best single source of news and commentary about economics, business, and finance. It is my understanding that students in the Business School have already paid for the WSJ, and copies are available daily in the Business Building. The 15-week week individual subscription link is http://WSJ.com/class. The price is only $15.00 (16 cents per issue). Student subscribers receive both WSJ print and WSJ.com online, including Smartphone and Tablet editions. The paper version (optional but no additional price) can be delivered to any address, whether that address is on campus or off, anywhere in the U.S. Once activated, WSJ.com can be accessed wherever the Internet is available. Need sources for a paper?—the Journal has a rich archive of articles from past editions available to students. Want an advantage in job interviews?—read the Journal regularly during your college years.
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COURSE DESCRIPTION: Ignorance in economic matters is frustrating and costly to people in a market-based economy like ours, which largely operates by a complex system of price signals determined by millions (if not billions) of individual decisions each day. Knowing how the system works will give you an appreciation of decentralized market processes. It will also enable you to function more effectively within that system. Plus, knowing what makes this complicated system tick is just plain fun. As a former microeconomics student revealed, “Taking this course was like someone let me in on a secret.”

COURSE OBJECTIVES:
• Introduction to the economic way of thinking and demonstration of its usefulness
This course is designed to help you develop new technique for thinking about human behavior. E201 offers you a combination of theory and evidence that enables you to become an economic thinker. The economic way of thinking is a powerful (though limited) tool for analyzing human behavior. My goal is that, at the end of this course, you will own a skill that will never become obsolete. As long as people live in a world of scarcity, economic logic will help you understand the implications of our choices. An E201 veteran
noted: “Economics gives you a lens through which you can see the world more clearly.” Another said: “I thoroughly enjoyed this class and have found myself thinking (and marveling) about the world in a mindset based on the economics you taught us. Economics is the gift that keeps on giving.”

- **Understanding of markets as a means of choosing what to produce, how to produce it, and who gets it**
  
  Markets are an instrument of human liberty. One of the most important inventions ever, a market process is a means by which individual choice leads to socially beneficial outcomes. It may seem mysterious or even paradoxical, but market processes allow individuals to cooperate with one another while making their own choices and pursuing their own goals.

- **Role of government where market results are not optimal**
  
  The economic way of thinking provides a rationale for collective action when individual choice leads to outcomes that do not yield maximum well-being. Note that this is the exception, rather than the rule.

- **Application of economic concepts to analyze public policy issues and personal choices**
  
  This course is designed to make you fluent in the language of microeconomics, but it’s not simply a matter of learning some buzz words or bullet points to throw around in conversation. “Knowing economics” means understanding the economic way of thinking well enough to apply it. Analysis of policy issues does not include the analysis of the various positions of political parties or political party preferences.

**PREREQUISITES:** There are no formal prerequisites for E201. This course is rigorous but not heavily mathematical. A working knowledge of high school algebra and geometry is the only math that is required, but college-level math improves performance in economics. The most important criteria for success in E201: a desire to learn and the willingness to spend sufficient time to master the material.

**READING ASSIGNMENTS** are listed on the course outline and will be announced in class. Lectures will make more sense if you do the assigned reading first. Another benefit of timely reading: intelligent questions and comments, a sign of true brilliance, will leap irrepressibly from your lips in class. Textbooks and lectures are complements, not substitutes. Some things in the book will not be repeated in lecture; some things in lecture won’t be found in the book.

**ATTENDANCE** at lectures is essential for most people. You get to see examples of economic analysis done in class. Economics is one of those things that is learned by doing, but it helps to see how it’s done before trying it yourself. Should you miss a lecture, please do not expect me to repeat the material at another time (such as office hours). I recommend that you borrow a classmate’s notes. My personal notes are not available for copying.

Most of our class time will be spent with my presentations. However, I will ask questions frequently to elicit your engagement and to determine whether you are grasping hold of the ideas presented. *At any time, in class or in private, you are encouraged to ask questions.* No question is a dumb question if something is impeding your learning. Furthermore, if you disagree with the methods of analysis or the conclusions that are derived, you are welcome to express your disagreement openly. At the very least, such questions make for lively discussion, and it is possible that you may have some real insight that will benefit the rest of us in class.

Note-taking is an important skill for processing, recalling, and understanding information. Taking notes in class keeps you engaged with the ideas being discussed. I have observed that most students try to write too much in class. Your goal is the efficient amount of note-taking; make note of key ideas and analytical processes during class and use abbreviations, notation and symbols. You should *not* try to record every word said in class or projected on the screen; if you can’t keep up with the lecture, you are writing too much. A study reported that students who take notes by hand were found to process and recall information better than those using a keyboard. I recommend the Cornell technique for your class notes.

**PRACTICE** is necessary for learning any skill, be it mental or physical. You cannot memorize economic thinking any more than you can memorize shooting a jump shot. You learn economics by *doing* economics. **Homework** assignments will be completed on Aplia electronically on a weekly basis. Credit for homework will be awarded to Collaborative Learning participants. If you do not attend a CL group, you are encouraged to do the homework problems, but you will not submit them for credit. Group work on homework is acceptable and even encouraged, but it is an act of misconduct to submit answers that are not your own. The questions in the **Study Guide** are helpful to diagnose your strengths and weaknesses in understanding topics being presented. Pencil-and-paper **Practice Problems** are available at the course web site for test preparation as well. Questions from previous exams will are also available at the course web site.
Reading your book, being attentive in class, and doing homework are necessary but not sufficient to make the economic way of thinking part of your thinking process. I encourage you to use your world as a laboratory in which to apply the concepts of economics. Unlike some other subjects, you can “study” economics as you go about your daily affairs. Read the Wall Street Journal regularly. Watch a news program on TV. If you see something that interests you, discuss it with a classmate. If you see something that puzzles you, discuss it with a member of the E201 instructional team. Of the many blogs that deal with economics, I highly recommend that you check out Prof Mankiw’s blog. Other interesting sites include Carpe Diem AEI, Café Hayek, Freakonomics blog, EconLog, and Marginal Revolution.

EXAMS are stressful but useful. They provide an incentive for you to learn and yield data for me to evaluate your performance. Because of the size of this class, exam questions will be multiple-choice in format. Please bring a pencil, eraser and photo ID to each exam. You need to know your 10-digit IU ID number. Basic calculators are optional. Programmable calculators and cell phones are not permitted during exams.

We will have three in-class exams and a comprehensive final exam, weighted as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Exam Type</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Tues, Sep 20</td>
<td>Exam 1</td>
<td>20% of your course grade</td>
</tr>
<tr>
<td>Tues, Oct 18</td>
<td>Exam 2</td>
<td>20% of your course grade</td>
</tr>
<tr>
<td>Tues, Nov 15</td>
<td>Exam 3</td>
<td>20% of your course grade</td>
</tr>
<tr>
<td>Mon, May 2</td>
<td>Comprehensive Final Exam</td>
<td>40% of your course grade (33% if you participate in Collaborative Learning)</td>
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The final exam is required of all students and will be given Mon, Dec 12, 10:15-12:15P. I am unable to offer the final exam at any other time. If you have a conflict (such as M212, T101 or V118), you need to drop one of the conflicting courses now. If you miss the final exam, your score will be zero and this will be averaged with your other grades. It is prudent to look ahead and schedule your classes so as to avoid mental meltdown during finals week.

There will be no make-up exams. If you have a legitimate excuse for missing an exam, the weight of your final exam will be increased enough to make up the missed credit. Excuses should be obtained in advance of scheduled exams whenever possible. It is not possible to complete the course with more than one absence from the hourly exams. No excused absence--other than documented hospitalization or equivalent distress--is acceptable for the final exam.

If you desire classroom/testing accommodations for a disability, contact your instructor during office hours. Please present the written supporting memorandum from the DSS office (http://www.indiana.edu/~affirm/ada.shtml). Include your email address on this document.Requests for accommodation must be made no less than two weeks in advance of exams. No accommodation should be assumed until authorized by your instructor.

GRADES will be assigned by the following system:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A+</td>
<td>&gt;96.5</td>
</tr>
<tr>
<td>A</td>
<td>92.5-96.49</td>
</tr>
<tr>
<td>A-</td>
<td>88.5-92.49</td>
</tr>
<tr>
<td>B+</td>
<td>85.5-88.49</td>
</tr>
<tr>
<td>B</td>
<td>82.5-85.49</td>
</tr>
<tr>
<td>B-</td>
<td>78.5-82.49</td>
</tr>
<tr>
<td>C+</td>
<td>74.5-78.49</td>
</tr>
<tr>
<td>C</td>
<td>70.5-74.49</td>
</tr>
<tr>
<td>C-</td>
<td>66.5-70.49</td>
</tr>
<tr>
<td>D+</td>
<td>62.5-66.49</td>
</tr>
<tr>
<td>D</td>
<td>58.5-62.49</td>
</tr>
<tr>
<td>D-</td>
<td>54.5-58.49</td>
</tr>
<tr>
<td>F</td>
<td>&lt;54.5</td>
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Each exam is worth 100 points. If the average of an exam falls below 71, all scores will be scaled up so that the scaled average is 71; “average” will be determined by a combination of the mean and median scores. Note that scores above 100 are possible. Your course grade will be determined by taking a weighted average of all exam scores, plus any extra credit points you earn. There will be no opportunities for any special credit for students who are disappointed with the grade they earn. Please do not embarrass yourself by asking.

I believe that, through sufficient effort, just about anyone admitted to IU should be able to pass this course. For most of us in most situations, effort and reward as positively correlated. Please realize, however, that I am not able to measure effort or to reward effort alone. As in most things in life, how hard you work in learning economics is of secondary importance to the quantity and quality of what you produce. Sustained effort is usually necessary, but not sufficient, to do well in E201. If you are working hard but not performing well, I encourage you to talk to me. And the sooner the better.
COLLABORATIVE LEARNING (CL) is best described as an organized study session with a twist—small groups work together on problems with the assistance of an instructor. Participation in CL is voluntary but strongly recommended. Active participation counts 7% of your final grade. If you choose not to be involved in CL, your final exam carries an extra 7% weight (40% instead of 33%). Collaborative Learning will be organized the second week of the semester.

EXTRA CREDIT POINTS may be earned through a written exercise. Attendance at lecture on Nov 17 is required for this extra credit opportunity.

ACADEMIC MISCONDUCT will be met with a score of zero on the particular paper and probably a grade of F for the course. The Dean of Students will be notified for further action, which could include dismissal from the University with an indication of misconduct on your permanent record. Please refer to the Code of Student Rights, Responsibilities and Conduct if you are uncertain about what constitutes academic misconduct.

CLASS DECORUM is based on the Code of Student Rights, Responsibilities and Conduct. Common courtesy and standards of professional conduct require that you arrive promptly for class, remain attentive for the entire class period, and refrain from any disruptive behavior. As a community of scholars, we are all dedicated to the pursuit of knowledge and excellence. Disturbances that interfere with students’ learning and/or the faculty’s instruction will not be tolerated. Behaviors that are distracting—arriving late, chatting, leaving early, reading, ringing of phones, texting, and even sleeping—are destructive of the teaching/learning process and therefore should not occur. Disorderly conduct has no place in an IU classroom and will be dealt with as personal misconduct according to the Code.

All communication--oral, print, electronic--between students and members of the E201 instruction team are expected to adhere to standards of professional discourse. Mutual respect should be displayed in all interaction. Rude or crude comments are completely out of place in an academic setting. Please indicate your class time on all correspondence with me.

Please feel free to talk to me if you have any concerns about course material, procedures, or your performance in the class. Some matters may be dealt with before or after class, but it is not appropriate to talk about personal matters, such as your performance in the class, when other students are present; these are subjects for office visits. And please do not ask your parents to contact me. In fact, if you have “helicopter parents,” please discourage them from contacting me about your standing in E201. Under IU policy and federal law, you are considered a responsible adult. I am legally prohibited from providing information about you to anyone, including your parents, without prior written consent.

WITHDRAWAL from the course with an automatic W is possible until Sun, Oct 23. After that date, “a student may withdraw only with the permission of his or her dean. This approval is given only for urgent reasons relating to extended illness or equivalent distress. To qualify for the grade of W, a student must be passing the course on the date of withdrawal. If the student is failing, the grade recorded on the date of withdrawal will be F” (IU Academic Handbook, p. 67). Similarly, the grade of “I” (Incomplete) is awarded only for extreme circumstances, such as a documented medical problem of extended duration.
TENTATIVE COURSE OUTLINE:
Please note that this is a tentative outline. My goal is to proceed at an optimal pace: slow enough that important concepts are thoroughly learned, yet fast enough that the course does not drag. It’s a delicate balance. Consequently, this outline is subject to change. Any changes will be announced in class.

<table>
<thead>
<tr>
<th>DATE</th>
<th>TOPICS</th>
<th>READING</th>
</tr>
</thead>
<tbody>
<tr>
<td>T 8/23</td>
<td>INTRODUCTION: WHAT IS ECONOMICS</td>
<td>Chapter 1</td>
</tr>
<tr>
<td>R 8/25</td>
<td>PRODUCTION POSSIBILITIES</td>
<td>Chapter 2 (include appendix)</td>
</tr>
<tr>
<td>T 8/30</td>
<td>PPF, continued</td>
<td>Chapter 2</td>
</tr>
<tr>
<td>R 9/1</td>
<td>EXCHANGE</td>
<td>Chapter 3</td>
</tr>
<tr>
<td>T 9/6</td>
<td>DEMAND</td>
<td>Chapter 4</td>
</tr>
<tr>
<td>R 9/8</td>
<td>SUPPLY</td>
<td>Chapter 4</td>
</tr>
<tr>
<td>T 9/13</td>
<td>COMPETITIVE MARKET EQUILIBRIUM</td>
<td>Chapter 4</td>
</tr>
<tr>
<td>R 9/15</td>
<td>SUPPLY AND DEMAND ANALYSIS</td>
<td>Chapter 4</td>
</tr>
<tr>
<td>R 9/20</td>
<td>EXAM 1</td>
<td>Oncourse</td>
</tr>
<tr>
<td>R 9/22</td>
<td>UTILITY THEORY</td>
<td>Oncourse</td>
</tr>
<tr>
<td>T 9/27</td>
<td>ELASTICITY</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>R 9/29</td>
<td>ELASTICITY, continued</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>T 10/4</td>
<td>POLICY ANALYSIS</td>
<td>Chapter 6</td>
</tr>
<tr>
<td>R 10/6</td>
<td>POLICY ANALYSIS, continued</td>
<td>Chapter 6</td>
</tr>
<tr>
<td>T 10/11</td>
<td>MARKETS AND WELL-BEING</td>
<td>Chapter 7</td>
</tr>
<tr>
<td>R 10/13</td>
<td>TAXES AND WELL-BEING</td>
<td>Chapter 8</td>
</tr>
<tr>
<td>T 10/18</td>
<td>EXAM 2 (includes all topics since Exam 1)</td>
<td></td>
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</tbody>
</table>
R 10/20 TAXES AND WELL-BEING
   Deadweight Loss from a Tax on Income
   Chapter 8

T 10/25 MARKET FAILURE: EXTERNALITIES
   Negative Externalities, Positive Externalities, Private Solutions
   Chapter 10

R 10/27 EXTERNALITIES, continued
   Government Solutions: Command and Control, Taxes/Subsidies, Tradable Permits
   Chapter 10

T 11/1 MARKET FAILURE: PUBLIC GOODS AND COMMON-POOL RESOURCES
   Characteristics of Public Goods and Common Resources, Free-Rider Problem
   Chapter 11

T 11/3 COST AND PRODUCTION
   Explicit and Implicit Costs, Irrelevance of Sunk Costs, Long Run/Short Run,
   Costs in the Short Run: Total, Average, and Marginal
   Chapter 13

R 11/8 COST AND PRODUCTION, continued
   Accounting vs. Economic Profit, Fixed/Variable Inputs, Diminishing Marginal Returns
   Chapter 13

T 11/10 COST AND PRODUCTION, continued
   Costs in the Long Run
   Chapter 13

T 11/15 EXAM 3 (includes all topics since Exam 2)

R 11/17 INTERNATIONAL TRADE
   Comparative Advantage Revisited, Trade and Efficiency
   Extra credit opportunity—class attendance required for eligibility
   Chapter 9

T 11/22 Thanksgiving Break—no class

R 11/24 Thanksgiving Break—no class

T 11/29 PERFECT COMPETITION
   Characteristics of Competitive Markets, PC Firm’s Demand and Revenue Curves,
   Profit Maximization
   Chapter 14

R 12/1 PERFECT COMPETITION, continued
   Profits and Losses, Shut-down Rule, Long-run adjustment, Profits and Efficiency
   Chapter 14

T 12/6 MONOPOLY
   Characteristics, Monopolist’s Demand and Revenue Curves, Profit Maximization,
   Output and Pricing Decisions
   Chapter 15

R 12/8 MONOPOLY, continued
   Welfare Cost of Monopoly, Price Discrimination, Monopoly vs. Perfect Competition
   Chapter 15

M 12/12 FINAL EXAM (comprehensive) 10:15A-12:15P, Rooms TBA