

## ECONOMICS 103: PRINCIPLES OF MICROECONOMICS

Spring 2007  
Tuesdays 6:30 -9:30 pm  
Bartlett Hall, Rm. 312

Instructor: **Amit Basole**  
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Course website: <http://courses.umass.edu/econ103>

### A. Overview:

In this course I will attempt to introduce the fundamental principles of microeconomic theory in the context of real-world issues and in the context of the history of the discipline of economics. We will learn the basics of supply and demand analysis, utility and profit maximization, market externalities and imperfections. But in addition to acquiring a firm understanding of neoclassical economic theory we will consider ecological and gender perspectives, finance, globalization and poverty as they relate to microeconomics.

### B. Prerequisites:

None

### C. Website and Readings:

The course website is <http://courses.umass.edu/econ103/>. A copy of this syllabus will be posted on this site, as will assignments, notes and other resources as needed. *Please remember to check this site every once in a while during the semester.*

The main textbook we will use is *Microeconomics in context* by Goodwin, Nelson, Ackerman and Weisskopf (1<sup>st</sup> edition, 2005, Houghton Mifflin Publishers). New and some used copies have been ordered at Food for Thought Books in Amherst Center. Some used copies are also available on Amazon.com. A study guide for the textbook can be downloaded here:  
<http://www.ase.tufts.edu/gdae/publications/textbooks/MICStudyGuide.htm>

In addition we will read a few chapters of *The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers* by Robert Heilbroner. A copy of this book has been placed on 2hr/overnight print reserve at the Du Bois Library. Cheap used copies are also available online.

To access Print Reserves go to <http://www.library.umass.edu/services/reserves/creserves.html>, click on "course reserves" and then enter "Basole" after selecting "instructor" in the search for: field.

I will provide other occasional short readings as needed.

### D. Course Requirements and Grading

- (i) **Three homework assignments (30%)**: These will consist of either short response papers on a particular topic, or some short answer questions and problems.
- (ii) **One midterm exam (25%)**: 1.5 hrs duration, in class (see schedule below).
- (iii) **A final exam (25%)**: During exam period. Date and time TBA.
- (iv) **Class participation and small in-class quizzes (20%)**: Our extended meeting time and small class size allows us to engage in an interactive manner. Much of your experience in this course is contingent upon the participation of everyone else – and vice versa. So be here and be prepared!

The following grading system will be followed (homework assignments will not be given letter grades)

A	above 91
A-	87—90
B+	83—86
B	79—82
B-	75—78
C+	71—74
C	67—70
C-	63—66
D+	59—62
D	55—58
D-	51—54
F	below 50

### **E. Academic conduct and exam policy**

Links to university policy on conduct and academic matters:

[http://www.umass.edu/dean\\_students/code\\_conduct/](http://www.umass.edu/dean_students/code_conduct/) (for general conduct with a link to university policy on academic honesty)

<http://www.umass.edu/registrar/media/academicregs.pdf> (for academic regulations)

### **F. Topics to be covered**

*Note:* Schedule is subject to change; and you are requested to adjust reading accordingly. All such changes will be announced in class in advance. **MIC** refers to – *Microeconomics in Context* and **WP** refers to *The Worldly Philosophers*. Chapter numbers for MIC refer to the 1st edition, NOT the Preliminary Edition.

## **PART ONE: The Context for Economic Analysis**

### **1/29 Economic Activity and Economic Theory in Context: MIC Chapters 1 and 2**

1. The means & goals of economic activity
2. What is economic theory?
3. Equations, variables and graphs
4. Economic tradeoffs: Abundance or scarcity?
5. The Production Possibilities Frontier & opportunity costs
6. The three spheres of economic activity: households, firms and the government
7. Motivation & Behavior
8. The nature of economic organizations

## **PART TWO: Supply and Demand**

### **2/5 Markets, Supply and Demand: MIC Ch. 3 & 4, WP, Ch. 2 & 3**

1. The traditional neoclassical model (circular flow diagram)
2. Markets versus “The Market”: History and meaning of the market
3. Institutional requirements of markets
4. Types of Markets
5. Supply and Demand: curves and determinants
6. Market clearing and equilibrium

### **2/12 Markets, Supply and Demand (cont’d): MIC Ch. 4 & 5**

*Homework #1 handed out*

1. Effect of shifts in supply and demand on equilibrium price and quantity
2. Signaling and rationing functions of markets
3. Explaining real-world prices and quantities
4. Price elasticities of supply and demand

### **2/19 No Class**

### **PART THREE: Production, Distribution and Consumption**

#### **2/26 Consumption: MIC Ch. 10, WP Ch. 7 (Marginalists)**

*Homework #1 due*

1. Income, price and buyer behavior
2. The economic view of consumer behavior: Utility theory
3. Budget constraints and indifference curves
4. Utility maximization and its relation to demand

#### **3/4 Consumption (cont'd): MIC Ch. 10 & WP Ch. 8 (on Veblen), Schor (Email)**

1. The marketing view of consumer behavior
2. The Politics of Consumption (Juliet Schor)
3. The Consumer Society
4. The ecological impact of consumption

#### **Production: MIC Ch. 7**

5. Stocks versus flows, types of capital
6. Economic costs

#### **3/11 Production (cont'd): MIC Ch. 7 & 8, Princen Ch. 5 (Handout)**

*Homework #2 handed out*

1. The production function
2. Cost curves
3. Returns to scale
4. Production decisions: Profit maximization
5. Discrete decision-making
6. Distancing & Externalities (Chapter 5 of Princen et al, Handout)

#### **3/18 Spring Break**

#### **3/25 Midterm Exam and Screening of "Buyer Be Fair"**

*Homework #2 due*

#### **4/1 Distribution: MIC Ch. 9, WP Ch. 4**

1. Ownership and distribution in social and historical context
2. David Ricardo, Comparative advantage and Gains from Trade
3. Free Trade or Fair Trade? A Discussion of Buyer Be Fair
4. Distribution outcomes in the United States

### **PART FOUR: A Closer Look at Markets**

#### **4/8 Perfect competition and Monopoly: MIC Ch. 11 & 12**

1. The idea of perfect competition
2. Efficiency and equity in the case of perfect competition
3. Pure Monopoly
4. Monopolistic Competition

#### **4/15 Labor Markets MIC Ch. 13**

1. Labor as an input to production
2. Labor supply and labor demand
3. Explaining variations in wages
4. Unions: Functions and history
5. Is housework work?

**4/22 Markets for other resources: MIC Ch. 14**

1. Valuing capital stocks
2. Markets for natural capital or governing the commons?
3. Coase Theorem and Pigovian Taxes
4. Credit and insurance: Asymmetric information, moral hazard, and adverse selection
5. The stock and bond markets
6. Can everything be bought and sold?

**PART FIVE: A Closer Look at Economic Organizations****4/29 Households and Communities: MIC Ch. 15,***Homework #3 handed out*

1. Care labor and other non-market economic activity
2. Non-market work in historical perspective
3. Work/Family Challenges (Film Screening- The Motherhood Manifesto)
4. Models of Household Behavior

**5/6 Firms: MIC Ch. 16**

1. Legal organization of businesses
2. Big business, small business
3. The goals of firms (Film Screening- The Corporation)
4. The Evolution of Big Business
5. Bigger is better or small is beautiful?
6. Globalization and the information revolution

**5/13 The Government: MIC Ch. 17***Homework #3 due*

1. Public purpose organizations: Types and functions
2. Public goods, open access, common property
3. Collective action problems, Prisoner's Dilemma
4. The Public Sphere in historical perspective
5. Big Government or Small?

**PART SIX: Economic Outcomes and Economic Ideology****5/13 The variety of economic systems: MIC Ch. 18 & 19**

1. Comparing economic systems
2. Varieties of capitalist and socialist systems
3. "The Economy" in historical perspective
4. Evaluating normative claims made on behalf of the market

**5/? Final Exam**