Economics 110: Introduction to Microeconomics
Fall 2007

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Office hours:
Tuesdays 1:30 - 2:30 pm
Wednesdays 10:30 am - 12:30 pm
and by appointment

Course description: This course provides an introduction to basic principles and methods of microeconomics, and also provides a forum for discussion of current microeconomics-oriented policy issues. The economist John Maynard Keynes wrote that “the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood.” The goal of Economics 110 is to teach you some economic ideas and help you understand why they can be so powerful. Economics is not primarily a set of answers, but rather a method of reasoning. By the end of the semester, you should be able to use the analysis practiced in the course to form your own judgments about the major economic problems faced by the United States and other countries.

The course focuses on microeconomics, which studies the interaction of people and firms in markets. We will learn about supply and demand, and analyze how government interventions in the market — such as rent control laws, minimum wage laws and the imposition of taxes — affect markets. We will apply the tools we learn to better understand issues such as poverty and labor market discrimination, the environment, international trade, and monopoly and strategic behavior.

Course materials: The primary text for the course is N. Gregory Mankiw, Principles of Microeconomics (4th edition), which is available from the book store. Earlier editions of the textbook can also be used. Students should also pick up a copy of the Econ 110 course packet from Seeley House, first floor.

The readings in the course packet include relevant articles from newspapers, magazines and books. Some of the readings (especially the longer ones) contain material about substantive economic issues. Much of the material complements topics covered in class, but some of the material is entirely new. Other articles (typically the shorter newspaper or magazine articles) are meant to give you a chance to apply the economic ideas and methods you’re learning in class to real world problems.

All of the readings represent testable material (whether or not we discussed them in class), and exams usually include at least one question based on readings from the course packet. What is important is that you understand the arguments, the obviously relevant facts, and that you can use the economic tools taught in class to understand and analyze the issues.

I also recommend that you read the Wall Street Journal or The New York Times regularly. This reading will allow you to apply what you learn in class to current economic issues, and we will devote class time throughout the semester to discussing these issues.
Course meetings: We will meet twice a week, on Mondays and Thursdays. In addition, your TA will schedule weekly office hours that you should use to discuss problem sets, answer questions you may have, and review the week’s work.

Course requirements:
Your course grade will be determined according to the following formula:

- Problem sets: 10%
- Policy memos (2): 10%
- First midterm exam (Thursday, October 11): 20%
- Second midterm exam (Thursday, November 8): 20%
- Final exam: 40%

Problem sets: Eight problem sets will be due during the semester, on the dates listed on the following page. Complete problem sets must be turned in at the beginning of class on the due date. Late problem sets will not be accepted under any circumstances. To accommodate illness and unforeseen conflicts, I will drop the lowest two scores among your problem sets in the grade calculation.

I encourage you to work in groups on the problem sets. However, if you work out an answer as part of a study group, be sure you understand exactly how to arrive at the answer. Once you have worked out an answer, you are responsible for writing up the problem set on your own. To be explicit about this: it is a violation of the Honor Code to copy another student’s problem set. The problem sets will be graded by your TA on a check, check plus, check minus scale. Although the problem sets count for only 10% of your grade, completing and understanding them will be crucial to your success on the exams.

Policy memos: Policy memos are short (2 page) writing assignments designed to get you thinking critically about a policy issue, and to give you practice at concise analytical writing. The paper will consist of arguing for or against a specific policy, drawing on arguments and evidence presented in class, in the reading packet, and in the textbook. We will have a discussion of the issue addressed in the policy memo on the day you hand in the memos. You are welcome to discuss the policy memos with your classmates, but you must research and write them on your own. You are encouraged to utilize help from the writing tutors. Four memo topics be given in class, of which you will choose two to write on. You must write one of the first two memos and one of the second two memos.

Examination policies: There will be two midterm exams and a scheduled final exam. The two midterm exams will be held in class on the days indicated. I will hold an optional review session before each exam. In general, the exams will contain analytical or graphical problems -- like those you will practice doing in the problem sets -- as well as more conceptual questions. In addition, the final exam will likely include a limited number of multiple choice questions.

The examinations will cover material from lectures, the textbook and the reading packet. Most of the assigned reading in the text reinforces material you will learn in class, but some of the reading covers additional topics that will not be discussed in class. Students are responsible for
To reward improvement, if your final exam grade is higher than either of your midterm grades, the weight on your lowest midterm will be reduced to 15% and the weight on the final will be increased to 45%.

Attendance and class participation: Although these do not formally contribute to your grade, they will be taken into account in determining 'borderline' grades: borderline grades may be affected (up or down) by attendance and class participation. Also note that the examinations will emphasize the material covered in lecture, and that students may be able to earn extra credit toward the exams by participating in classroom games conducted during class. Students who do not attend class on the day of the game will not receive this extra credit.

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<tr>
<th>Problem set #</th>
<th>Date distributed:</th>
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<tr>
<td>1</td>
<td>Thursday Sept. 13</td>
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<td>2</td>
<td>Thursday Sept. 20</td>
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<td>3</td>
<td>Thursday Sept. 27</td>
<td>Thursday Oct. 4</td>
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<td>4</td>
<td>Thursday, Oct. 11</td>
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<td>5</td>
<td>Thursday, Oct. 18</td>
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<td>6</td>
<td>Thursday, Oct. 25</td>
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<td>7</td>
<td>Thursday, Nov. 8</td>
<td>Thursday, Nov. 15</td>
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<td>8</td>
<td>Monday, Nov. 19</td>
<td>Thursday, Dec. 6</td>
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<tr>
<th>Policy memo</th>
<th>Topic:</th>
<th>Date distributed:</th>
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<tr>
<td>1</td>
<td>Pollution control policy</td>
<td>Monday Oct. 15</td>
<td>Monday Oct. 22</td>
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<td>2</td>
<td>International trade</td>
<td>Monday Oct. 22</td>
<td>Monday Oct. 29</td>
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<td>3</td>
<td>Raising the minimum wage</td>
<td>Monday Nov. 12</td>
<td>Monday Nov. 19</td>
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<td>4</td>
<td>Collusion in higher education</td>
<td>Monday Nov. 26</td>
<td>Monday Dec. 3</td>
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I. INTRODUCTION TO ECONOMICS

Why study economics? (Thursday, Sept. 6)

Mankiw, Ch. 1 and 2
“The Second Coming of Adam Smith,” excerpt, Todd Buchholz, New Ideas from Dead Economists, 1989
“A Roving Eye,” The Economist, October 28, 2000

II. SUPPLY AND DEMAND

1. Supply, demand and comparative statics (Monday, Sept. 10)

Mankiw, Ch. 4
“Jags the Border Collie Gets His Chance to Be a Bomb-Sniffer Dog,” Joseph Pereira, Wall Street Journal, February 5, 2002

2. Elasticity and government intervention (Thurs., Sept. 13; Monday, Sept. 17)

Mankiw, Ch. 5 and 6
“Scrap Scalping Laws,” Jeff Jacoby, Boston Globe, August 8, 2007

3. Consumer choice: marginal analysis and income and substitution effects (Thurs., Sept. 20; Monday, Sept. 24)

Mankiw, Ch. 21
III. Welfare Economics

1. Consumer surplus, producer surplus and market efficiency (Thurs., Sept. 27)

Mankiw, Ch. 7
“Silicon Mali,” Silvia Sansoni, Forbes, February 4, 2002

2. Welfare analysis of government policies (Monday, Oct. 1)

Mankiw, Ch. 8 and Ch. 12

3. Externalities (Thursday, Oct. 4; Monday, Oct. 15)

Mankiw, Ch. 10
“Higher Beer Prices Would Reduce Campus Violence,” NBER Digest, Sept. 1999
“Clear Skies Are Goal As Pollution Is Turned Into a Commodity,” John J. Fialka, Wall Street Journal, October 3, 1997
“Doffing the Cap,” The Economist, June 14, 2007

First midterm exam: Thursday, October 11

4. Public goods (Monday, Oct. 15)

Mankiw, Ch. 11
“The Lost Fig Leaf: Why the Conservative Revolution Failed,” Paul Krugman, Slate, September 27, 1996
5. Trade and tariffs (Thurs., Oct. 18; Monday, Oct. 22)

Mankiw, Ch. 3 and 9

IV. Factor Markets

1. Labor demand and supply (Thursday, Oct. 25)

Mankiw, Ch. 18
“What’s a Minimum Wage Job Worth?” *Wall Street Journal*, April 1, 1996

2. Poverty, inequality and discrimination (Monday, Oct. 29)

Mankiw, Ch. 19 and 20

V. Firm Behavior

1. Perfect competition (Thursday, Nov. 1; Monday, Nov. 5)

Mankiw, Ch. 13
“Bubble-lusions,” Austan Goolsbee, *Slate*, August 26, 2005

2. Cost curves and output decisions in the short run and long run (Monday, Nov. 5; Monday, Nov. 12)
Mankiw, Ch. 14

**SECOND MIDTERM EXAM: THURSDAY, NOVEMBER 8**

3. Monopoly (Thursday, Nov. 15; Monday, Nov. 19)
Mankiw, Ch. 15

4. Oligopoly and strategic interaction (Monday, Nov. 26; Thursday, Nov. 29)
Mankiw, Ch. 16
“College Financial Aid and Antitrust Action,” *The NBER Digest*, November 2000

5. Economics of information and uncertainty (Thurs., Nov. 29; Monday, Dec. 3)
Mankiw, Ch. 22
“The Best Care Other People’s Money Can Buy,” James P. Weaver, *Wall Street Journal*
“It’s Not Your Grandpa’s Moral Hazard Anymore,” Austan Goolsbee, *Slate*, December 8, 2005
“Pensions by Default,” *The Economist,* August 25, 2005

Thursday, Dec. 6: Catch-up