

**Hope College**  
*Department of Economics, Management, & Accounting*

**Principles of Microeconomics**  
**Economics 212**

**Syllabus**  
**Spring 2006**

Instructor: Professor Claar  
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Office: 157 Van Zoeren Hall  
Hours: MW 8:30-9:20, Tu 8:15-9:15  
*other hours by appointment*

**I. Introduction**

This course will help students develop an economist's approach to problem solving. Consider the words of Nobel laureate George Stigler:

The watered-down encyclopedia which constitutes the present course in beginning college economics does not teach the student how to think on economic questions. The brief exposure to each of a vast array of techniques and problems leaves with the student no basic economic logic with which to analyze the economic questions he will face as a citizen. The student will memorize a few facts, diagrams, and policy recommendations, and ten years later will be as untutored in economics as the day he entered the class.<sup>1</sup>

In order to avoid the pitfalls that Stigler suggests, we will take the most basic tools of economic analysis--supply and demand--and apply them time and time again. In a nutshell, this course

- Develops the tools of supply and demand so that students will acquire a basic understanding of them.
- Applies supply and demand analysis to various individual markets.
- Introduces the field of public finance so that students will begin to appreciate the widespread application of the basic tools of supply and demand, with the hope that students will carry the analytical framework beyond the classroom.

**II. Prerequisites**

Grade of "C-" or better in Economics 211. (While not specifically required, students may also benefit from two semesters of *King of the Hill*, the *Real Gilligan's Island*, or their equivalents.)

**III. Materials**

**A. Required Text**

Parkin, Michael. 2005. *Microeconomics*. 7th ed. Boston: Addison-Wesley.

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<sup>1</sup>George J. Stigler, "Elementary Economic Education," *American Economic Review* 53.2 (1963): 657.

## B. Other Required Resource

You must register for the course experiments for your section at the EconX web site: <http://www.econx.com>. To register as a student for EconX, you will need to have:

- the course admit code for your section
- a credit card to pay the \$15.00 access fee during the registration process.

## C. Recommended Text

Rush, Mark. 2005. *Study Guide* to accompany Parkin, *Microeconomics*, 7th ed. Boston: Addison-Wesley.

## IV. Course Outline (Note: The problems listed are minimum suggestions and will not be collected.)

### A. How Markets Work

#### 1. Elasticity

Assignment: Read Chapter 4.

Problems: 2, 6

#### 2. Efficiency & Equity

Assignment: Read Chapter 5.

Problems: 6

#### 3. Markets in Action

Assignment: Read Chapter 6.

Problems: 2, 6

### B. Utility & Demand

Assignment: Read Chapter 7.

Problems: 4, 12

### C. Firms & Markets

#### 1. Organizing Production

Assignment: Read Chapter 9.

Problems: 2, 10

#### 2. Output & Costs

Assignment: Read Chapter 10.

Problems: 2, 4

#### 3. Perfect Competition

Assignment: Read Chapter 11.

Problems: 2, 4

#### 4. Monopoly

Assignment: Read Chapter 12.

Problems: 2, 4

#### 5. Monopolistic Competition & Oligopoly

Assignment: Read Chapter 13.

Problems: 2, 10

### D. Market Failure & Government

#### 1. Regulation & Antitrust Law

Assignment: Read Chapter 14.

Problems: 8

## 2. Externalities

Assignment: Read Chapter 15.

Problems: 2

## 3. Public Goods & Common Resources

Assignment: Read Chapter 16.

Problems: 2

## V. Experiments

Economics consists, in part, of theories about human behavior. These theories and the tools of analysis associated with them are useful because they enable us to predict and better understand behavior. They are useful, however, only to the extent that they enable us to predict reasonably accurately. The theories and tools you learn about in this class have been rigorously and extensively tested and used successfully and, thus, are presented to you as a part of the accepted body of knowledge of economics. For example, we can successfully predict that when the price of a product declines, other things remaining unchanged, consumers will buy more of that product. We even give this a name, the law of demand, because we are so certain of its reliability.

An important part of any science is the testing of theories. That's what laboratory experiments do. But, while physical scientists can work in a lab by changing and manipulating physical elements, social scientists have more difficulty testing their theories by manipulating human beings. Experimental economics, however, attempts to do just that by placing people in particular situations and observing how they behave when faced with changes in circumstances affecting their decisions.

This semester you will do experimental economics by being both a participant and observer. You will be asked to make decisions based on information provided to you and then to draw conclusions from the information collected from you and the other members of the class. We will ask, "How do the results of our experiments compare with the predictions of standard economic theory?" In this way we will better understand the theory and its usefulness.

During the semester we will be conducting five online experiments to test the validity of the economic concepts and ideas presented in class and in the text. Each experiment requires participation in the experiment and completion of an online workbook assignment. Students must participate in and complete the workbooks associated with all experiments. In total, the experiments will count as 15% of the course grade. See the examinations and assignments calendar below for the experiment dates.

### *Participating in Experiments*

Each experiment takes place over a set period of time (usually two days—check your syllabus or your EconX account for the actual dates and times). When you join an experiment you will be given some basic background information and the option to join various sessions. You should make sure that you participate in all available sessions. While each session is based on the same background information, your role and other conditions will vary across the sessions. Each session is independent—that is, what you do in one session has no direct impact on what happens in any of the other sessions.

While an experiment is ongoing, you can enter and leave it as often as you like. (Any actions you take, such as offers to buy or sell, will remain on the system even if you sign out.) Most students visit each session at least a few times while it is ongoing.

In each session of each experiment, you should always strive to earn as much profit as possible. The professor will track your profits and offer extra credit rewards tied directly to your performance.

### *Completing the Workbooks*

You are allowed to access and change your workbook up until the due date given in your syllabus. Once the due date has passed, the workbook will be automatically graded based on your most recently saved set of answers. To save your current workbook, use the "Save" button at the bottom or top of the workbook. Make sure to save your workbook at least every half hour while you are working on it. Whenever you open your workbook, you should see all of your previously saved answers. You can always modify these answers until the workbook due date. Each workbook is based on the data generated by your experiment—the correct answers may differ among students.

Each workbook is relatively text intensive (for the web), so you may want to print it out (via your browser's print command) and initially work on it offline. For each workbook you will need to complete a series of questions found throughout the workbook (question types include multiple choice, graphing, and fill in the blank).

There are questions that require you to manipulate the lines in the graphs. Sometimes it is a bit tedious to get the graphing points in the exact position, but alas the grading mechanism requires proper placement. (There are instructions at the base of each graph for how to manipulate the lines.)

If the graphs do not appear on your web browser, then there is a problem and you will not be able to complete the workbook. Try using a different browser or a different computer. (The graphs require Java, and older browsers or machines may not have Java enabled. Also, we have had some scattered reports of problems related to some MACs using the Microsoft Internet Explorer browser.)

### *Admonitions for Success*

Please note that if you have not registered for EconX before the first experiment starts, then you will be unable to participate in that experiment or receive a workbook for that experiment. That is, you will receive a grade of zero. So be sure to register early enough to troubleshoot the process; all that matters is whether you have successfully registered before the first experiment starts. Whether or not you "tried to" is irrelevant.

Also, students who leave their assignments until the last minute may suffer from computer problems or find that they get locked out of the system because the assignment is a few seconds past due.

Students often have difficulty submitting their workbooks the first time. Despite numerous warnings, some students fail to submit their workbooks, don't realize that their browser can't do the graphs, etc. The system will always restore your latest answers, so you should be able to see such answers when they open their workbook at a later time.

Once an experiment is over, you will be allowed to access and change your workbook up until the "Workbook Due Date." Once the due date has passed, the workbook will be automatically graded based on the most recently saved set of answers.

The grading mechanism is automatic, exact, and does not give partial credit. Thus, for example, having a single point in a graph line slightly misplaced will result in no credit being given for that line. Question types include multiple choice, fill in the blank, and line graphing.

### *Makeups and Late Assignments*

The assignments and exercises are closely timed (to the second!) and dated, and the due dates and times are strictly enforced. Students need to make sure that all work is submitted on time or else they will not get credit.

Also, **there is no mechanism in place to allow makeup assignments. Students who miss an experiment or workbook will receive a zero grade for that entire assignment, regardless of whether they have completed the workbook or not.**

### *System Requirements*

To properly view this course, your system must satisfy the following requirements:

#### Operating System

- PC: Microsoft Windows 98, ME, 2000, or XP

#### Web Browser

- PC: Internet Explorer 6.0 (with Service Pack 1) or newer, Netscape Navigator 7.1 or newer, Mozilla 1.7.5 or Mozilla Firefox 1.0

*You must enable Cookies, Javascript and Pop-Up Windows to view the course documents. Instructions on how to enable these features are below under Configuring Your Browser.*

#### Plugins

- Java 1.3.1 or newer
- LiveConnect
- Flash Player version 7 or newer

#### Additional Requirements

This course contains instructional videos with audio. It is recommended that you work from a computer capable of playing sound.

## Configuring Your Browser

### Compatible Web Browsers:

- PC: Microsoft Internet Explorer, Netscape Navigator, Mozilla

### Java Plugin

Some of the learning activities in this course feature interactive Java applets. To properly view these applets, which are required to complete the course, you must have Java installed and enabled. The Java plugin can be downloaded from <http://sun.java.com/>.

*Got Java? Still having problems? The Java Plug-in may not be enabled:*

To enable Java in Internet Explorer, click the Tools menu and select Internet Options. Next, select the Advanced tab and scroll down to the category labeled Java. Check the box labeled "Use Java... ". Press the OK button at the bottom of the window. Close all of your browser windows for the change to take effect.

To enable Java in Netscape Navigator, click the Edit menu (the Netscape menu for MAC users) and select Preferences. Select the category labeled Advanced. Check the box labeled "Enable Java". Press the OK button at the bottom of the window.

### JavaScript

To enable JavaScript in Internet Explorer, click the Tools menu and select Internet Options. Next, select the Security tab. Press the button labeled Custom Level. Scroll down to the category labeled "Active Scripting". Select the circle marked Enabled. Press the OK button at the bottom of the window.

To enable JavaScript in Netscape Navigator, click the Edit menu (the Netscape menu for MAC users) and select Preferences. Select the category labeled Advanced. Choose the sub-category Scripts & Plugins. Check the box labeled "Enable JavaScript for Navigator". Press the OK button at the bottom of the window.

### Macromedia Flash Plugin

Some of the learning activities in this course feature interactive Flash activities. To be able to use these activities, you must have Flash installed. The Flash plugin can be downloaded from <http://www.macromedia.com/go/getflashplayer>.

### Popup Windows

If you have configured your web browser to not allow popup windows or if you have installed any utility program which blocks popup windows, you will not be able to access areas of this course.

If you are using Netscape Navigator, you can enable Popup windows as follows. Click the Edit menu (the Netscape menu for MAC users) and select Preferences. Select the category labeled Privacy & Security. Choose the sub-category Popup Windows. If the box labeled "Block Unrequested Popup Windows" is not checked, then popup windows are enabled. Otherwise, press the button labeled "Allowed Sites". Enter "<http://oli.web.cmu.edu/>" and press Add. Press the OK button at the bottom of the window.

## VI. Grading

There will be weekly quizzes, online lab experiments and corresponding online workbook assignments, two short tests, a midterm exam, and a comprehensive final exam. I will drop at least your two lowest quiz scores. I will also drop test or midterm grades so as to improve your final grade. The weights toward your final grade (see table below) will depend on which tests/midterm count. At the end of the semester, I will choose the option that gives you the best possible grade. You should take the tests and midterm even if you feel unprepared; they will not hurt your grade, and will give you some practice.

Since you may drop them, there will be no make-ups if you miss the two short tests or the midterm. Since you may drop the lowest two scores, there will be no make-ups if you miss any of the quizzes.

Due to the large enrollments in this course, you may sit for exams in only the section in which you are enrolled. Students attempting to take an exam in a section in which they are not enrolled will be turned away.

	Weighting Options (%)					
	A	B	C	D	E	F
Experiments	15	15	15	15	15	15
Quizzes	15	15	15	15	15	15
Test 1	10	0	0	10	0	0
Test 3	10	10	0	10	10	0
Midterm	20	25	30	0	0	0
Final	30	35	40	50	60	70

## VII. Attendance

Lectures and discussions will generally follow the format of the text. However, be warned that I will not lecture on all the material in this text, and the text will not cover all the material we will discuss in class. Lecture attendance is at your discretion. Laboratory attendance, however, is *mandatory*.

I do have two requests. First, when you attend, please be on time. I'll repeat that: please be on time. The cost you impose upon me and your classmates by entering late is what economists call a negative externality; your parents might have called it "bad manners." Second, if you attend, complete the textbook reading assignments in advance of their presentation in class. Expect to be called upon often based upon the reading.

## VIII. Sources of Support

Students with disabilities are entitled to the assistance of the *Office of Disabled Student Services*. Once you are admitted, it is important to contact them as soon as possible. Since students attend Hope from a wide geographical area, and many schools differ in their criteria and definitions for learning or other disabilities, it is essential that the Office of Disabled Student Services review these credentials both to determine eligibility and to determine the range of services that can be provided. The Office of Disabled Student Services is located in the Student Development office in the Dewitt Student and Cultural Center (616- 395-7800). Louise Shumaker is the Director.

Students attending Hope College come from greatly varying backgrounds and have different levels of knowledge and ability. To assist students in the transition to college and to help them improve their studying habits, learning skills, and class performance, the *Academic Support Center* (ASC) works closely with the faculty to support the academic program. Students use the ASC voluntarily; however, ASC help may be recommended to some students by faculty or staff. The Academic Support Center provides its services to all Hope College students, individually or in small groups. These services include:

Individual Tutoring	Test Scribing/Proctoring
Small Group Help Sessions	Academic Advising and Counseling
Workshops	Mathematics Lab

Many students find it beneficial to seek individualized help for a particular course. ASC is located in 261 VanZoeren Hall (616-395-7830). Jacqueline D. Heisler is the Director.

## IX. Schedule of Examinations, Quizzes, Readings, and Experiments

(All exam, quiz, and experiment dates are **firm**; other dates approximate)

Date	Topic	Assignment
W 1/11	Intro	
F 1/13	Review of supply & demand basics; Intro to price elasticity of demand	Read Chapter 4
M 1/16	Calculating price elasticity of demand	Quiz 1
W 1/18	Other elasticity measures	Supply & Demand Experiment Starts, 1 p.m. (Ends 7 p.m. Thursday)
F 1/20	Intro to efficiency and equity	Read Chapter 5; Supply & Demand Workbook Starts, 1 p.m. (Ends 11 p.m. Tuesday)
M 1/23	Pareto efficiency and market outcomes	Quiz 2
W 1/25	Efficiency of competitive equilibrium	Minimum Wage Experiment Starts, 1 p.m. (Ends 7 p.m. Thursday)
F 1/27	Are mutually beneficial outcomes fair?	Minimum Wage Workbook Starts, 1 p.m. (Ends 11 p.m. Tuesday)
M 1/30	Government intervention: Rent control	Quiz 3, Read Chapter 6
W 2/1	Government intervention: Sales taxes and agricultural price supports	Sales Tax Experiment Starts, 1 p.m. (Ends 7 p.m. Thursday)
F 2/3	Introduction to utility theory	Read Chapter 7; Sales Tax Workbook Starts, 1 p.m. (Ends 11 p.m. Tuesday)
M 2/6	Utility and demand	
W 2/8	<b>Test 1</b>	
F 2/10	Paradox of value	
W 2/15	Introduction to theory of the firm; economic costs and profit	Read Chapter 9
F 2/17	Information & organization in firms; market types	
M 2/20	Measures of concentration; why firms exist	Quiz 4
W 2/22	Short run v. long run; production in the short run; diminishing returns	Read Chapter 10
F 2/24	Total costs in the short run	
M 2/27	Average costs and marginal cost in the short run; the long run	Quiz 5

<b>W 3/1</b>	Perfect competition	Read Chapter 11
<b>F 3/3</b>	<b>Midterm</b>	
<b>M 3/6</b>	Perfect competition (continued)	Quiz 6
<b>W 3/8</b>	Intro to monopoly	Read Chapter 12
<b>F 3/10</b>	Monopoly	
<b>M 3/13</b>	Monopolistic competition	Quiz 7; Read Chapter 13
<b>W 3/15</b>	Intro to oligopoly	
<b>M 3/27</b>	Oligopoly games and strategies	
<b>W 3/29</b>	Equilibrium in single-play and repeated games	
<b>F 3/31</b>	Intro to public choice theory	Read Chapter 14
<b>M 4/3</b>	<b>Test 3</b>	
<b>W 4/5</b>	Regulating a monopolist	Monopoly & Cartels Experiment Starts, 1 p.m. (Ends 7 p.m. Thursday)
<b>F 4/7</b>	Externality theory	Read Chapter 15; Monopoly & Cartels Workbook Starts, 1 p.m. (Ends 11 p.m. Tuesday)
<b>M 4/10</b>	Dealing with negative externalities	Quiz 8
<b>W 4/12</b>	Dealing with positive externalities	
<b>M 4/17</b>	Public goods and the free-rider problem; Bureaucracy theory	Quiz 9; Read Chapter 16
<b>W 4/19</b>	The efficient provision of a public good	Externalities Experiment Starts, 1 p.m. (Ends 7 p.m. Thursday)
<b>F 4/21</b>	Median voter model	Externalities Workbook Starts, 1 p.m. (Ends 11 p.m. Tuesday)
<b>M 4/24</b>	Arrow's impossibility theorem and voting paradoxes	Quiz 10
<b>W 4/26</b>	The tragedy of the commons	
<b>F 4/28</b>	Remedies to the tragedy of the commons	
	<b>Final Exam</b> <b>Monday, May 1, 10:30 a.m. – 12:30 p.m. (Noon section only)</b> <b>Wednesday, May 3, 2:00 p.m. – 4:00 p.m. (11 a.m. section only)</b>	

## **X. Extra Credit**

You can earn up to 10 points total extra credit added to your semester grade by producing a creative project introducing an economic concept. The project must be suitable for use in this class. I'd encourage a SHORT videotape (about 5 minutes), Web application, or multimedia project. No essays, please. The idea is to improve the class with your input. DUE DATE: APRIL 21ST AT THE LATEST.

CRITERIA that I use in grading these extra credit projects are:

- (1) Clarity and focus (i.e., you must focus on ONE specific idea.)
- (2) Suitability for use in class (i.e., SHORT, relevant to Econ 212, positive.)
- (3) Entertainment value (e.g., amusing, clever, shocking, stimulating.) Remember, "Brevity is the soul of wit."
- (4) Originality. Projects that take a new approach will receive special consideration.

TALK TO ME ABOUT YOUR IDEA BEFORE YOU GET TOO FAR ALONG.

Note that I will not count off if the project is "unprofessional" in the sense of amateurish production values (e.g., unfocused picture), except to the extent that it interferes with criteria (1)-(3). GROUP PROJECTS are OK, but a single project can earn no more than 10 points, which will be split among participants.

I expect that the average satisfactory creative project will earn 4 to 5 points. Only truly outstanding projects will earn more than 6 points. Desperate, disorganized, rambling, last-minute, lame efforts will get 0 or 1 point.

## **XI. A Word Concerning Time Allocation**

Note that you will earn four credit hours for this course. Hence, the departmental expectation is that you will spend seven and one-half hours per week outside of class working on this course. Of course, students come into the class with different backgrounds and abilities. Therefore some students may need to work more than seven and one-half hours per week, while others might be able to work less. See the course web site for more information and suggestions.

## **XII. Final Word**

I am committed to providing a learning environment with open communication and mutual respect. If you feel that you are being harassed, intimidated, or discriminated against in any way due to your race, sex, political views, age, creed, or any other reason, please let me know and I will fix it.